

JULY  
1940

# BUSINESS WEEK

WEEK  
AGO

YEAR  
AGO

JUL 3 1940

## SIX KEYS TO BRITAIN



BUSINESS  
INDICATOR

# Let's Build America's Might!

Today wars are won—not on battlefields, but on drawing boards and production lines.

The traditional ingenuity, skill and productive capacity of American Industry are the greatest forces for national defense in the world today.

Let us use them to the utmost to Build America's Might. Let us stand behind our Government—165,000 plants strong—from the small specialized manufacturing businesses to the great industrial giants—ready, every one of us, to more than do our share to guarantee the continuance of the "American Way" for the American people.

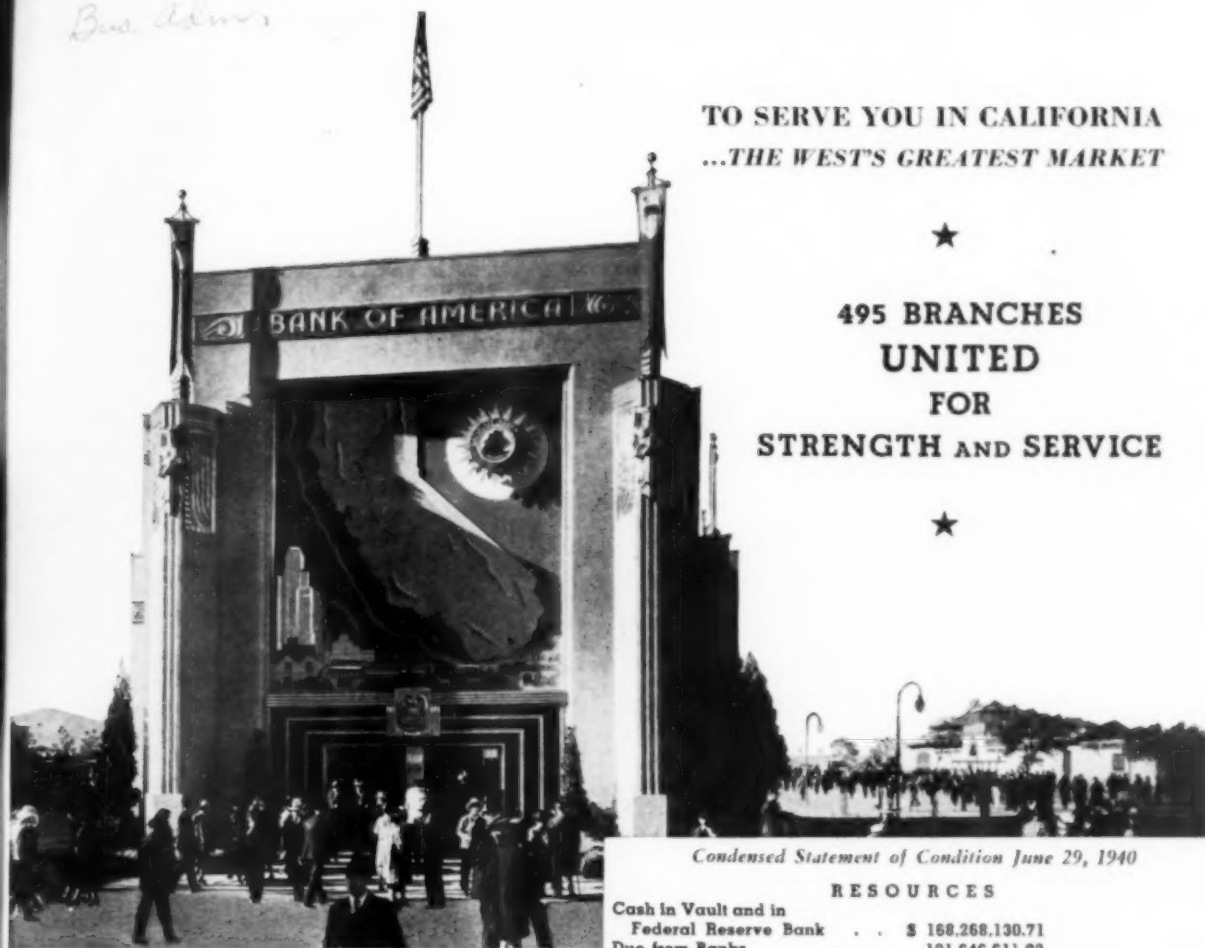
As our small contribution to this mighty undertaking, GOETZE has recently almost doubled their research and manufacturing facilities to assure that gaskets, those little but vital elements to uninterrupted industrial production, will be immediately available in any type or quantity to answer the accelerated requirements of American Business.

Also, during the present period of emergency, orders received by Goetze from plants working on Government contracts will receive preference over all other businesses.

**The Goetze Gasket & Packing Co., Inc.**  
**New Brunswick, New Jersey**

*The Oldest and Largest Manufacturers  
of Industrial Gaskets in America*

Bus. Adm.



TO SERVE YOU IN CALIFORNIA  
...THE WEST'S GREATEST MARKET

★  
495 BRANCHES  
UNITED  
FOR  
STRENGTH AND SERVICE  
★

Condensed Statement of Condition June 29, 1940

## RESOURCES

Cash in Vault and in Federal Reserve Bank . . .	\$ 168,268,130.71	
Due from Banks . . . . .	101,646,611.93	
<b>TOTAL CASH . . . . .</b>		<b>\$ 269,914,742.64</b>
Securities of the United States Government and Federal Agencies . . . . .		420,052,050.76
State, County and Municipal Bonds . . . . .		154,921,004.81
Other Bonds and Securities . . . . .		39,616,989.03
Stock in Federal Reserve Bank . . . . .		3,720,000.00
Loans and Discounts . . . . .		724,574,778.65
Accrued Interest and Accounts Receivable . . . . .		6,258,759.73
Bank Premises, Furniture, Fixtures and Sale Deposit Vaults . . . . .		31,198,232.40
Other Real Estate Owned . . . . .		7,608,585.39
Customers' Liability on Account of Letters of Credit, Acceptances and Endorsed Bills . . . . .		17,928,353.49
Other Resources . . . . .		847,596.95
<b>TOTAL RESOURCES . . . . .</b>		<b>\$1,676,641,093.85</b>

## LIABILITIES

<b>DEPOSITS:</b>		
Demand . . . . .	\$653,365,806.89	\$1,496,022,001.70
Savings and Time . . . . .	842,656,194.81	
Liability for Letters of Credit and as Acceptor, Endorser or Maker on Acceptances and Foreign Bills . . . . .		18,296,376.17
Reserve for Interest Received in Advance . . . . .		8,440,504.87
Reserve for Interest, Taxes, Etc. . . . .		1,675,790.24
Capital:		
Common (4,000,000 Shares) . . . . .	\$ 50,000,000.00	
Preferred ( 600,000 Shares)* . . . . .	12,000,000.00	
Surplus . . . . .	62,000,000.00	
Undivided Profits . . . . .	17,805,778.75	
Unallocated Reserve . . . . .	6,900,000.00	
Other Reserves . . . . .	2,500,642.12	
Preferred Stock Retirement Fund . . . . .	1,000,000.00	
<b>TOTAL CAPITAL FUNDS . . . . .</b>		<b>152,206,420.87</b>
<b>TOTAL LIABILITIES . . . . .</b>		<b>\$1,676,641,093.85</b>

\*Issued at \$50 (\$20 Capital—\$30 Surplus), Annual Dividend \$2. Preferred to extent of and retireable at issue price and accrued dividends.  
This statement includes the figures of the London, England, banking office.

Again this year the Golden Gate International Exposition (open until September 29) is attracting many thousands of visitors to California. On Treasure Island, site of the Exposition, Bank of America has a complete banking office to serve you.

More than 155,652 square miles and 6,000,000 people compose the market that is California. Virtually all of this vast area and more than one-third of California's total population is served by one bank—by Bank of America through its 495 branches.

If this market...the greatest in the West...means anything to you, perhaps Bank of America can afford you more than a convenient statewide banking connection. Inquiries from eastern business men, bankers, and manufacturers are invited.

## Bank of America

NATIONAL TRUST AND SAVINGS ASSOCIATION

Main Offices—San Francisco and Los Angeles

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION MEMBER FEDERAL RESERVE SYSTEM

BANKING THAT IS BUILDING CALIFORNIA

The "Bank of America Business Review," prepared monthly by the Analysis and Research Department, is a comprehensive publication devoted to conditions and activities of California business, industry, and agriculture, which is sent without charge to business men and bankers.





"... AND WAS  
I BURNED UP"



HE was angry... to put it mildly. And before he cooled off completely he wrote in his salesman's report from Jamestown, N. Y. . . .

"The Credit Department may be right, but turning down that new order was a tough one to swallow. From now on no more credit turn-downs in this territory for yours truly.

"I just happened to remember the advice you gave me before I came up here. So I'm checking important prospects here with the local Marine Midland Bank. It has good credit information on these local firms. And believe me, I sure get cooperation!"

When this salesman decided to check credit data with the Marine Midland member bank in Jamestown, he was only following the advice of his New York Sales Manager. He could get the credit information because his company is a customer of ours.

Throughout New York State there are Marine Midland banks in 37 other trading centers. Any of our officers will gladly show you how we, through these banks and their knowledge of local communities, can save your business time and money in this State—"the world's richest market."



THE  
MARINE MIDLAND  
TRUST COMPANY OF NEW YORK  
120 Broadway

At the Gateway to New York State, the  
World's Richest Market

Member Federal Deposit Insurance Corporation

## NEW BUSINESS

### Calling All Men

"WITH MANY entire industries devoted to the needs of the American home," a press agent wrote us last week, "the current progress of matrimonial affairs is of paramount importance to business men. While the marriage license bureaus can supply figures of concluded contracts, the present and future prospects are indicated in a report from the hub of the activity."

The hub of the activity, it quickly developed, was a brand-new client of the press agent's—Miss Joan Benner, a marriage broker. Miss Benner, the first marriage broker we'd ever heard of with a press agent, was all stirred up over the unbalanced market prevailing in the marriage business, and wanted to talk the situation over with someone with some solid business training. A natural-born sucker for an unbalanced market—whether it's in wives, washers, or winches—we went to talk over business conditions with Miss Benner last week.

Miss Benner didn't fit the popular conception of a marriage broker. She was a dark, solid, pleasant young woman, who looked as though she ought to register: Occupation—Housewife. She had a small office, in a large office building at 381 Fourth Ave., consisting of a waiting room, a room for her desk, and a sitting room for talking things over.

The name on the door said simply: J. Benner. And her business cards too, read: J. Benner Personal Service. She's been in the business five years—got started, as a matter of fact, after a visit to a marriage broker herself. ("I met a few nice gentlemen," she says, "but I didn't get a man for keeps.") Her clients range all the way from 22 to 66 years old. Some of them are recommended to her by satisfied customers. Some find her name in the phone book and call up cold. Some call up the "Buyers' Service" department maintained by the Classified phone book, and get her name. Some are frankly after money. A few even have it. ("Of course," Miss Benner says, "a woman with money—to put it bluntly—isn't just out after a pair of pants.") Some of the people who come in to see her are merely on the make. She says she can almost spot them as they come through the door.

She collects a \$25 fee from women clients (\$15 from men), for a year's services. Then she keeps introducing clients to likely mates until they either get married, or the year runs out. It usually takes about six months from introduction to marriage. Whenever she puts a wedding across Miss Benner collects another fee—and a larger one. In her business career she has married off about 60 couples. She says she's making a good living, but doesn't ever expect to get rich.

So much, though, for the mechanics of the marriage business. We started out to get a report on current conditions. Miss Benner, "the hub of the activity," says there's an unusual situation this year. The regular boom in June weddings came along on schedule all right, but a lot of women had to forego weddings this June because of the unbalanced market. It's flooded with women. Miss Benner figures that the large number of women supplicants (that's the word she uses—not "applicants") is due to the fear that war will cause a shortage of men—so women are already beginning to cover the threatened short market. This sorry state of affairs has thrown Miss Benner's own business all off kilter. Her clients right now are 75% women. She got some publicity in the *New York Daily Mirror* a couple of weeks ago and it washed up another raft of women. "Confidentially," says Miss Benner, "if I never see another woman for six months, it'll be too soon." She sighs. "But say," she adds earnestly, "could I use about 20 men!"

That was where we got our hat and made for the fire exit; so this ends our report to executives on the matrimonial market. Recommended policy for early future activity: On Guard.

### Legal Notes

IN KENTUCKY, a new state law was passed, requiring winners of bank nights and other similar contests, to fork over 15% of their prizes to the state treasury.

In Washington, the Tax Appeals Board ruled that termites were not legitimate income tax deductions, and refused to consider the \$1,740 deduction filed by Mr. and Mrs. Charles J. Fay in 1935, because termites ate the columns supporting the roof of their home in Staten Island, N. Y.

In Connecticut, the Supreme Court upheld a state law prohibiting the employment in restaurants, cafes, or dining rooms, of singers, dancers, or other women entertainers after 10 P.M.

And in Chicago, the Dean Milk Co., which dispenses milk in paper containers outside the city, sought permission to dispense milk in paper containers inside the city as well, but was refused a permit on the grounds that the plant was not equipped with a bottle-washing machine.

### Anticipation

WILLIAM E. RUDGE'S SONS, printers, of 225 Varick St., N. Y., take it seriously—that slogan about doing your Christmas shopping early. The company's celebrating the Fourth of July by mailing Christmas greetings to its customers (and suggesting they get their copy in for Christmas cards or catalogs a little earlier this year).



# WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)—Not that there was any attempt to put anything over, but the country doesn't realize that legislation, rushed through with little discussion during the pre-convention scramble, gives the President and military chiefs vast new powers for directing the \$5,000,000,000 defense expenditures. Most important are two acts governing Army and Navy purchases.

## Government Can Manufacture

COMPETITIVE BIDDING is required on relatively few outlays—which means that time-consuming competitive bargaining is out. Specific profit limitations (BW—Jun 29'40, p7) have been set on ship and aircraft construction. New and extreme excess-profits taxes will prevent unseemly profit bulges in other directions.

To override possible balking of manufacturers at meager profit allowances, the Army and Navy are empowered to lease and operate private plants, and to build plants of their own and run them. The Navy is authorized to compel manufacturers to lease plants to it. (Curiously, the Army isn't given this power.) Army and Navy orders get priority over

all commercial contracts. The President may embargo export of military equipment or machine tools and materials necessary to their production.

Authority contained in these acts terminates June 30, 1942, but may be extended by Congress if crises continue.

## Sale to Britain Out

ONE SECTION of the new defense legislation is aimed directly at the sale to Britain of munitions from U. S. Army and Navy stocks, such as the Lee-Enfield rifles left over from the World War and, of course, the Navy's new "mosquito" torpedo boats (BW—Jun 29'40, p17). Legal stoppage for such deals is carried in a clause which requires that all sales of military supplies must be accompanied by written certification from the Navy's Chief of Operations or the Army's Chief of Staff that they are not essential to U. S. defense. And to prevent any sleight-of-hand Congress must be notified of such deals within 24 hours. Obviously, the generals and admirals aren't likely to go on record as saying that we don't need what munitions we've got.

## Excess-Profits Tax Now

DON'T EXPECT CONGRESS to modify the "war-profits" tax bill and make it really sound. It isn't in the cards. Hope for a scientific study vanished when the White House decided to have it now instead of waiting for a study and the January session of Congress. High-pressure politics dictated the present course: Congressmen who are coming up for reelection are afraid that a vote for deliberation might be construed as a vote to protect war profiteers.

★One good feature: At least business will know what taxes will be on this year's profits while almost half a year remains.

## Coordinator of Buying

THE FORMER EXECUTIVE vice-president of Sears, Roebuck & Co., Donald M. Nelson, hardly had time to warm his chair as head of the Treasury Department's Procurement Division. Monday he resigned, preparing to move into his new job as coordinator of purchases for the President's Defense Commission. This doesn't mean that he is going to do the buying for defense. The Army and Navy will still work out specifications and place orders. It will be up to Nelson to see that they don't stumble over each other's feet or hike prices by bidding against each other (as happened for a time in the last war).

★Possibility: Nelson may later supervise actual purchase of commercial supplies for the armed forces (such as shoes, underwear, shovels). Taxpayers would like

some of that close buying for which mail order houses are famous.

## Financing by the Army

INDUSTRIAL GROUPS rushing to Washington to line up defense production are delighted to learn that they can side-step the RFC as a source of financing new plant and equipment. More popular are Army funds. Under recent legislation, the Army can advance immediately up to 30% of the total costs of orders placed. The Army hands it out pronto with one provision: "Get into production—quick."

Loans from the RFC involve tangles of red tape and, once they are accepted, executives say: "The government steps in and tells you how to run your business." Moreover, with a 30% advance and a fat government order in the bag, local banks will throw aside all caution and boldly offer to help.

## Right, But Burned Up

LOUIS JOHNSON, Acting Secretary of War, is discovering that it doesn't pay to be right too soon. He warned the government more than two years ago that the war was coming, and would



AP Wirephoto

Owen D. Young, honorary board chairman of General Electric, and a member of the National Advisory Council of the National Youth Administration, this week became a dollar-a-year man when he was appointed to assist Sidney Hillman of the Defense Advisory Commission. Young's job will be the training of CCC and NYA members for national defense; his appointment takes off all the heat that's been engendered since the first announcement that youth training for defense would be put into the hands of a C.I.O. leader.



Harris & Ewing

Donald M. Nelson, last week named coordinating agent of all national defense purchases, is on leave from his job as executive vice-president and chairman of the executive committee of Sears, Roebuck. A quiet go-getter, Nelson is unreservedly liked by his business associates and subordinates, who say nobody could be easier to work with—as long as the results arrive on schedule. His long service in charge of Sears' buying has rolled up dollar totals of purchases as impressive as those he is likely to handle for the government for quite a while.

# MEET HEATING NEEDS IN NEW ST. PAUL OFFICE BUILDING

Public Utility Company Office  
Building Saves Steam with  
Webster Moderator System

NO DIFFICULTY, OWNERS SAY

Performance Leads Same Com-  
pany to Install Webster System  
in Minneapolis Warehouse

BUILDING COMFORTABLY WARM

St. Paul, Minn.—The cost of heating the new office building of a well-known public utility company is approximately 35 per cent lower than the cost of heating in most St. Paul buildings.

This is the conclusion of company officials who selected a Webster Moderator System of Steam Heating at the time the building was constructed in 1931.

The total steam consumption for the first heating season was 3,350,000 lbs. or 3.72 lbs. per cubic foot of contents per year. By comparison with ten other St. Paul buildings, this figure is remarkably low.

An official of the public utility company says:

"Figures indicate that the amount of steam required for heating is such that true economy of operation has unquestionably been experienced.

"In addition to getting economical operation, we have experienced no difficulty with the distribution of heat. Comfortable temperatures have been maintained with a minimum amount of attendance labor."

The Healy Plumbing & Heating Co., Inc., well-known twin city heating contractors, installed the Webster System Equipment. This new building is a rectangular concrete and stone structure 167 feet by 75 feet in dimension. The height from the basement to the sixth floor ceiling is 100 feet. The basement contains no installed radiation. The first or main floor receives adequate heat from the lighting fixtures. The remainder of the building, approximately 900,000 cubic feet, is heated by steam.

The effectiveness of the Webster Moderator System in the St. Paul office building of this public utility company led to its installation in the Chestnut St. warehouse of the same company in Minneapolis in 1933.



Office Building of well-known public utility company

## LOW HEATING COST

GET THIS BOOK... Read the fact stories about economy and comfort in the heating of 144 buildings. No exaggerated claims. No promises. Just 64 pages of heating results. Ask for "Performance Facts."

WARREN WEBSTER & CO., Camden, N. J.  
Pioneers of the Vacuum System of Steam Heating  
Representatives in 65 principal U. S. Cities—Est. 1888

bring danger to us in a woefully unprepared state. At that time (BW—Jan 28 '39, p7) Johnson awarded a contract for powder-making machinery for which he had no appropriation, the \$3,000,000 involved being personally guaranteed to manufacturers by Bernard M. Baruch, at Johnson's request. But Johnson was attacked for "war mongering." His feud with his isolationist boss, Harry Woodring, got more headlines than his demands for better defense.

★ Ambition: Johnson is burned up over failure of the President to appoint him Secretary of War. Many agree that his work (he is a slave-driver) merited his advancement. Political considerations threw the plum to Stimson, a Republican.

## No Cartel for a While

OFFICIALS ARE HUSH-HUSHING tall talk about the proposed hemisphere cartel which is to prevent Hitler's economic blitzkrieg on the Latin American market. Problems are too tough and intricate to be solved during (or immediately following) the get-together of foreign ministers in Havana July 20.

Real control of the production and marketing of world commodities such as wheat, cotton, corn, meat, and wool would require an imitation AAA in each country with a super-AAA for the hemisphere, having powers sufficient to enforce over-all programs and hence to abolish individual sovereignty. Also, Canada and Australia would have to go along.

The demand now is for a U.S. corporation modeled after the RFC with power to buy Latin American surpluses for disposal abroad. This would not involve the difficulties of joint action by 21 countries, would allow time for working out cartel details.

## Critics' Field Day Flops

THOSE LONG-HERALDED HEARINGS on what's wrong with the New Deal's administrative agencies got under way last week—but they didn't get very much farther. Thus, when Dean Acheson opened proceedings by soliciting criticisms of the National Labor Relations Board, not a soul in the crowded room had a word to say. All day long, not a witness arose to air any of industry's many complaints about the NLRB and its procedure.

When the committee got around to other agencies, the silence remained virtually unbroken. The Railroad Adjustment Board, Veterans' Administration, Federal Communications Commission, and Maritime Commission were about the only agencies that got a play from the audience.

Possible reasons why the gripe-session failed: (1) fear of reprisal, (2) belief that the hearings were designed simply to head off the Logan-Walter bill, (3) a hunch that criticisms would be disregarded anyway.

## Anyone's Engine, If—

DISREGARD REPORTS that the famed Rolls-Royce liquid-cooled airplane motor, mixed by Henry Ford, can't be manufactured in this country unless the British are in on the deliveries. Britain gave the U. S. government full rights to production of the motor in this country. Packard or anyone else could be licensed with no foreign strings to the contract. Actually, first production will go to England—if there's time.

## Sturges' Valedictory

PREDICTION WAS MADE (BW—Oct 28 '39, p16) that Dr. Wesley A. Sturges would resign as head of the Distilled Spirits Institute if the liquor companies turned down his plan for industry self-control with himself as its autocrat. The plan was stalled to death and last week Dr. Sturges quit. Before leaving, Dr. Sturges delivered a hell-fire sermon to his ex-associates that would have delighted his minister-father, said his "compact" would have saved the industry from governmental wrath to come.

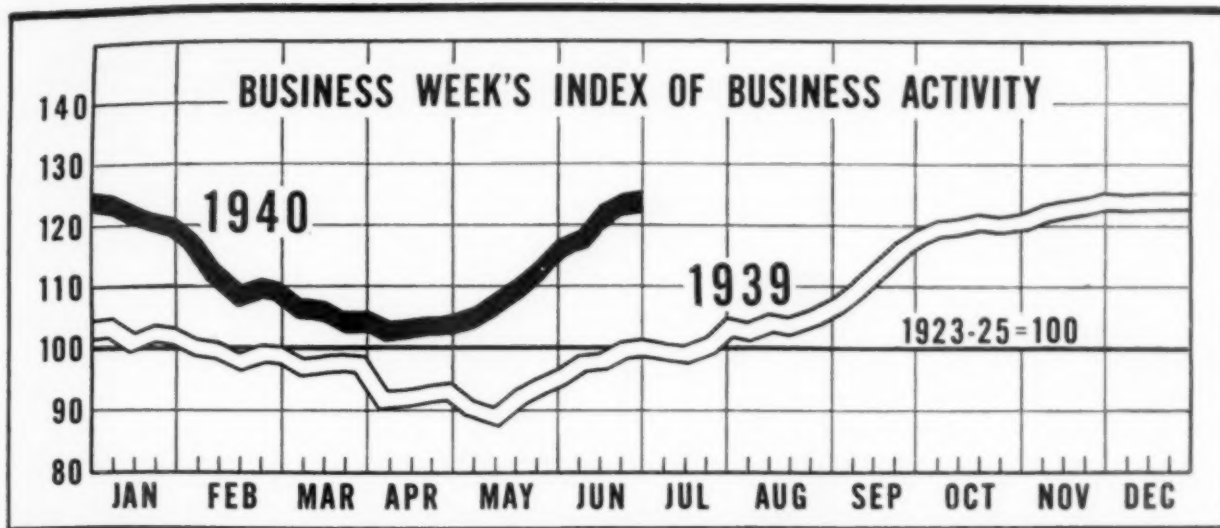
Powerful Schenley balked from the first, hired Carl Byoir's publicity outfit to "counteract" (Washington said "smear") the Sturges proposal. Schenley resigned from the Institute and Seagram threatened to follow suit.

★ Aftermath: Sturges can go back to teaching law at Yale and the industry can, if necessary, reorganize for better self-regulation after the November elections show how the political winds blow.

## P. S.

THAT EXTRA \$5,000,000,000 scheduled for the Army will provide equipment for 2,000,000 men, but training is something else; because of the shortage of experienced officers, opposition is expected to immediate expansion of the regular army beyond 500,000. . . . GENERAL de Gaulle's estimate that the battles of Belgium and France cost the Allies 60,000 killed and 300,000 wounded supports Hitler's assertion that his brand of warfare wins quicker victory, hence is more humane. . . . THE LOSSES of a victorious France in 1914-18 were 1,357,000 killed and 4,260,000 wounded. . . . FIGHT over application of Walsh-Healey labor provisions (prevailing wage and overtime pay on government orders) was tossed into the President's lap by a clause continuing the law but giving F.D.R. power to abrogate it if necessary. . . . THAT ANNOUNCEMENT by Edgar M. Queeny, president of Monsanto Chemical Co., that he would devote only half-time to his company and half to Willkie's candidacy until election time has the professional politicians worried; they don't like to see the tables turned.

## THE FIGURES OF THE WEEK



## THE INDEX.....

\$Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
*125.4	125.0	117.3	125.5	101.4

## PRODUCTION

Steel Ingot Operations (% of capacity).....	74.2	86.5	80.3	85.7	38.5
Automobile Production .....	87,550	90,000	60,980	89,365	70,663
Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$9,539	\$10,990	\$10,180	\$8,457	\$7,827
Electric Power Output (million kilowatt-hours).....	2,514	2,509	2,332	2,404	2,300
Crude Oil (daily average, 1,000 bbls.).....	3,640	3,846	3,749	3,545	3,463
Bituminous Coal (daily average, 1,000 tons).....	1,328	11,308	1,327	1,510	1,058

## TRADE

Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	75	74	71	72	68
All Other Carloadings (daily average, 1,000 cars).....	47	45	43	42	39
Check Payments (outside N. Y. City, millions).....	\$4,179	\$4,788	\$4,552	\$4,629	\$4,366
Money in Circulation (Wednesday series, millions).....	\$7,780	\$7,741	\$7,685	\$7,663	\$6,962
Department Store Sales (change from same week of preceding year).....	+10%	+9%	None	+13%	+3%

## PRICES (Average for the week)

Spot Commodity Index (Moody's, Dec. 31, 1931=100).....	155.2	157.2	153.2	169.1	143.2
Iron and Steel Composite (Steel, ton).....	\$37.76	\$37.80	\$37.55	\$37.10	\$35.72
Scrap Steel Composite (Iron Age, ton).....	\$18.92	\$19.58	\$18.58	\$17.67	\$14.71
Copper (electrolytic, Connecticut Valley, lb.).....	11.052c	11.156c	11.500c	12.500c	10.009c
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.75	\$0.76	\$0.82	\$1.01	\$0.70
Sugar (raw, delivered New York, lb.).....	2.74c	2.71c	2.73c	2.81c	2.90c
Cotton (middling 1/8", ten designated markets, lb.).....	10.43c	10.48c	9.88c	10.82c	9.41c
Wool Tops (New York, lb.).....	\$1.005	\$1.037	\$0.974	\$1.154	\$0.842
Rubber (ribbed smoked sheets, New York, lb.).....	21.38c	22.63c	21.55c	19.07c	16.40c

## FINANCE

Medium-Grade Corporate Bond Yield (30 Baa issues, Moody's).....	4.93%	5.00%	5.22%	4.89%	4.94%
U. S. Bond Yield (average of all issues due or callable after twelve years)....	2.32%	2.33%	2.48%	2.36%	2.19%
U. S. Treasury 3-to-5 year Note Yield.....	0.67%	0.72%	0.83%	0.47%	0.43%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	1/2-5/8%	1/2-5/8%	1/2-5/8%	1/2-5/8%	1/2-5/8%
Business Failures (Dun & Bradstreet, number).....	266	296	239	190	264

## BANKING (Millions of dollars)

Demand Deposits Adjusted, reporting member banks.....	20,681	20,495	20,287	18,720	17,220
Total Loans and Investments, reporting member banks.....	23,581	23,596	23,524	23,260	21,951
Commercial and Agricultural Loans, reporting member banks.....	4,399	4,387	4,367	4,400	3,833
Securities Loans, reporting member banks.....	862	883	959	1,221	1,191
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	11,610	11,626	11,480	11,162	10,571
Other Securities Held, reporting member banks.....	3,536	3,526	3,569	3,340	3,291
Excess Reserves, all member banks (Wednesday series).....	6,800	6,770	6,360	5,046	4,243
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,511	2,539	2,511	2,568	2,567

## STOCK MARKET (Average for the week)

50 Industrials, Price Index (Standard Statistics).....	94.1	94.0	88.5	121.9	106.1
20 Railroads, Price Index (Standard Statistics).....	26.0	25.5	23.2	32.1	25.7
20 Utilities, Price Index (Standard Statistics).....	61.7	59.7	53.9	70.0	64.6
90 Stocks, Price Index (Standard Statistics).....	78.6	78.7	73.0	99.7	87.1
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	486	532	517	994	488

\*Preliminary, week ended June 29th. †Revised. ‡Date for "Latest Week" on each series on request.



## What are people saying about this new General Electric Fluorescent Lighting?



AL WARD, furrier, says, "G-E Fluorescent lighting has upped sales. Indoor 'daylight' shows furs in their true outdoor colors!"

MRS. CARL DAVIS says, "I love to shop under the new lighting. It makes things look so attractive I just can't resist them!"

HER HUSBAND says, "My office is 200% more cheerful. I do more work in half the time and my secretary makes fewer mistakes!"

IRV WILLIAMS, factory foreman, says, "G-E Fluorescent Lighting is here to stay! Production is up and rejects are down!"

JOHNNY ALLEN, barber, says, "I see better and feel less tired. Customers don't mind waiting with indoor 'daylight' to read by."

### General Electric tells the inside story...

WITHOUT question, Fluorescent is one of the most exciting developments in light since Edison's first lamp.

It is a brand new light source, capable of giving your business new high levels of cool indoor "daylight" at little or no increase in operating cost. It offers display men, theaters, and night clubs a combination of colors the like of which has never before been seen.

#### How you can have it

Naturally, everybody wants to know all about G-E Fluorescent Lighting all at once. "How much does it cost to install?" "To what extent does Fluorescent replace other forms of lighting?" "How soon can I get it?"

Your G-E MAZDA lamp distributor can show you the answer... a full new line of

certified fluorescent fixtures, complete with G-E MAZDA F lamps at new reduced prices... ready to hang up and turn on!

#### Not a cure-all

Revolutionary as it is, Fluorescent Lighting is no cure-all. If you want to know where and where *not* to use it for best results, ask your G-E lamp man or your electric service company. They can help you give your office, store, factory, or restaurant 50 foot-candles or more of cool fluorescent "daylight" or exotic new fluorescent colors... using G-E MAZDA F lamps alone or with other types of G-E MAZDA lamps.

#### Mail coupon today

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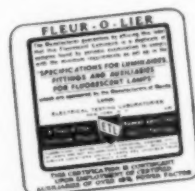
Industrial unit, 100 watts, using two 40-watt, 48-inch G-E MAZDA F lamps.



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July 6, 1940

## THE BUSINESS OUTLOOK

**Consumer buying comes through—as predicted—and heavy industries no longer bear full burden of business expansion. However, attack on Britain must be taken into account as a depressing influence.**

DEFENSE CONTINUES to dominate business, and probably will go on doing so for many months. But no longer are the heavy industries carrying the entire burden of the advance. Consumer income, which turned up slightly in May, has now produced the predicted improvement in retail buying.

Department store sales last month rose smartly over May, and early this week were still going strong. As stated here three weeks ago (BW—Jun 15 '40, p. 13), "with payrolls expanding in the capital goods industries, it follows that workers will feel better about spending—and this should assert itself in an upward pull on department store sales."

### Auto Sales Spurt

Somewhat warmer weather has had a bearing on this rise, which may carry the Federal Reserve Index from 87 in May to above 90 in June. But it has not been all weather by any means. Automobile sales have also been going up contra-seasonally in a sharp recovery from a bad letdown during the last 20 days of May. Unquestionably, fear of higher prices has caused some consumers to rush to their dealers for new cars. But the mere willingness to spend money is an assurance that from now on the heavy goods industries will not have to go it alone.

### Recovery Rounds Out

Ultimately, this augurs increased production in the typical consumer goods industries—suits and dresses, shoes, and various textile products. Indeed, up in New England, heart of the nation's woolen and worsted industry, looms already are more active (Regional Outlook, page 14). Orders from the government spurred production initially, but some run-of-the-mill buying followed. Shoe output also has started up. Thus the advance in business is rounding out.

The pattern of business for the second half of the year, however, is by no means simple. Ordinarily, with the heavy industries moving along on British and domestic war orders and with the consumer-goods factories starting to increase employment, it would be reasonable to conclude that an unrippled high

level of activity lay ahead. But the fate of Great Britain is bound to influence sentiment and the flow of orders during the next few months.

Despite the more-than-sufficient warnings from Berlin and London, it has been hard to visualize an actual German troop attack on Britain. Such an invasion, hitherto, has come under the head of "things which never happen"; the very improbability has made it hard to discount. So the markets probably will react uncertainly to the event. And the initial effect is bound to be depressing. But the conclusion is not foregone.

There has been a tendency to consider the war over, a hasty assumption that Britain will fall a quick victim to Ger-

man might. A surprise may be ahead for those who think this way. It is unwise to underestimate the magnitude of the task the Germans have set for themselves. And if the British manage to hold out longer than generally is expected, then a swift rally in domestic sentiment and commodity and stock prices could easily take place. And business expansion—in anticipation of continued heavy munitions demand from Britain—would inevitably result.

### What a Blitzkrieg Means

A successful blitzkrieg, on the other hand, would mean cessation of war orders from Great Britain. True, this government would take over most of the British commitments; as a result, factories probably would continue to turn out munitions at full capacity. But the ultimate amount of munitions business would be diminished by the absence of foreign demand. And with domestic industry able to turn all its attention and

## IN THE OUTLOOK—FEDERAL SPENDING

(Net contribution to purchasing power)



It won't be many months before national-defense expenditures lift this "net contribution curve" right out of the chart. With full speed ahead on munitions, the federal net contribution to purchasing power is bound to rise rapidly over the next six to 12 months. That means, of course, that government deficits will mount—for,

though Congress has voted a billion-dollar tax bill and an excess-profits tax is due to follow, the bulk of new revenues will not start coming in until March, 1941. And the increased defense spending will run \$2,000,000,000 to \$3,000,000,000 above the probable increase in tax receipts in the current fiscal year.

resources to domestic defense, there would be that much less urgency to build new plant and buy new equipment.

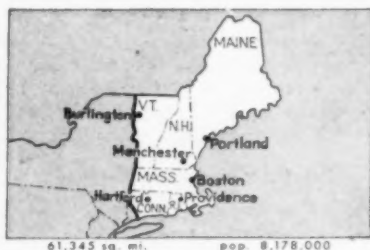
Moreover, American business men, because of the war in Europe, have been building up stocks; they've reasoned that it's smarter to run the risk of an inventory decline than a loss of business because of inability to deliver. But once the end of the war is in sight, they'll

change this policy. Business men possibly will prefer to let their stocks run off; so internal orders within the domestic business structure will drop. And a fairly sharp reaction in industrial activity could take place, possibly running as high as 15%.

But such a reaction would be only temporary. For ultimately, our domestic defense buying would pick up where the

shock left off. In that sequence, the pattern to look for in the BUSINESS WEEK Index is something like this: continued fluctuations around 125 or even higher for a spell; then a drop to 110 or a bit lower when and if things began to look ominous for Britain; and then, after a period of hesitancy, a recovery into new high ground—as the domestic defense program gets under way in full force.

## The Regional Business Outlook



**BOSTON**—The country's defense program has started to round out the upturn in business (*BW*—Jun 29 '40, p. 14) here. Whereas, a little more than a month ago, increases in employment and payrolls were concentrated in the heavy industries, such as aircraft, machine tools, and metal products, now the consumer goods industries are showing signs of life.

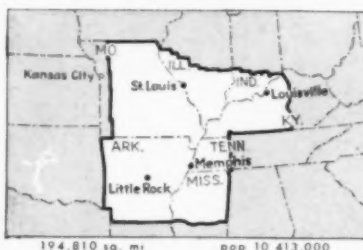
Large orders from the government have propped up wool prices, and production has begun to rise in woolen and worsted mills in Westerly, Rhode Island, and Lawrence and Worcester, Mass.; but curiously enough, there has been a modest easing off in Lowell.

Demand for cottons also has increased, but here government buying has not been sufficient to cause any marked advance in prices. Shoe production turned up last month on orders from retail stores, and government needs helped things along.

### Shipyards Busy

The main business impetus still is coming from the so-called war industries. Shipyard employment has been spurred at the Bath Iron Works, Bath, Me., and at Bethlehem's Fore River Yard at Quincy, Mass. In the metal working areas, especially in the Naugatuck Valley, gains of late have not been unusually large—but that hardly gainsays the fact payrolls have been and are at an unusually high level.

Next to Connecticut, Maine is a leader in improvement over a year ago, with expansion in paper and pulp and shipbuilding, and a seemingly good crop of potatoes. Bangor is still a rival of Hartford (airplane center) as the bright spot of the district.



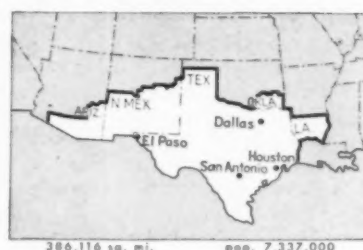
**ST. LOUIS**—Timely rains and warmer temperatures have improved agricultural prospects materially. At the end of April, crops generally were from two to three weeks late. Now, plant growths are back to schedule, wheat estimates up, and stands of corn and cotton good.

This agricultural turn-for-the-better complements the industrial recovery. Durable goods production — steel, lumber, machinery, glass—is in the forefront of the advance; the national defense program has brought in orders from armament makers as well as from general consumers seeking deliveries.

### Reorders for Consumer Goods

But now the lighter lines are turning up, too. Improved retail sales throughout the country have lifted the shoe industry from the doldrums, and output, going into the summer period of peak production, is up to 1939's high levels. Payrolls in clothing, hosiery, and other consumers' goods lines are also in an uptrend; warm weather has brought in reorders.

To meet heavy demands from the steel mills, coal mines—largely in southern Illinois, but also in southern Indiana and western Kentucky—are producing a million tons weekly, 50% more than at this time last year. With coal output up and with its oil boom still in progress, southern Illinois is still an outstanding retail sales area in this Reserve district; but it should be noted that crude runs have begun to stabilize. Thus construction of refineries, pipe lines, office buildings, and homes is apt to be less rapid from now on.



**DALLAS**—This is finger-biting time in the southwest; there's widespread apprehension over the cotton crop. The wet weather at first was a godsend, providing a fine "bottom season" for the soil after the long droughts of recent years. But now the farmers are complaining that the wet spell means heavy infestation: boll weevils, worms, and flea hoppers. Moreover, it has kept growers behind in their cultivation, and cotton is running to stalk with too little fruit. That's the talk.

But the facts seem to be that the rains were just what were needed to carry the crop through the ordinarily dry months of July and August—and warm weather from here on into the picking season could produce a fine stand. Already a bumper corn crop is maturing; and retail sales in recent weeks, while not brilliant, have been fairly good. District spending has been right up to income during the first five months of the year—about 3% ahead of 1939.

### Cattlemen Hopeful

Ranges also have been helped by the weather, and cattlemen are encouraged both by prices and the condition of their stock. The rains, however, beat down wheat and oat crops. Thus, agricultural income will not be evenly spread throughout the area. Furthermore, cotton planters are not counting revenues until their bales are sold. Short spot supplies, rather than big exports, explain the current price of 10¢. Further proration is cutting down employment in the oil fields and refineries, but in most industries payrolls are rising; and in urban areas sales prospects are good.

*The Regional Outlook surveys each week three of the twelve business areas of the country.*



# Willkie Shifts the Issues

**Nomination focuses campaign on a business question: How good is the political management of the people's business? Two courses open to New Dealers.**

NOMINATION of Wendell Willkie will have a profound effect on Congressional and administrative action affecting business. This will be true entirely irrespective of which party may be victorious in November. Choice of Willkie also shifts violently the issues of that campaign from what they might have been with some other G.O.P. nominee.

For example, while the argument over the Hull reciprocal trade agreements will be a purely academic debate for some time to come due to present war conditions and expected aftermath complications, Willkie's own attitude towards this issue prevents their becoming a part of the partisan controversy about to start.

Again, Willkie's favoring of collective bargaining, plus protection of that bargaining by government, and his approval of the *ideals* underlying most of the New Deal reforms will confine the fight of the next few months to an attack on administration and personnel. In short, on this as on many other issues, Willkie finds himself between the conservative Democrats and Roosevelt. He wants to preserve all the New Deal reforms, even SEC, but to hammer for their enforcement along lines that will help business and encourage investment in new enterprises and extensions of old ones.

## Where Nominee Will Strike

To illustrate, Willkie's attack on the SEC will be along the line that its restrictions are too onerous, that unnecessary duplicate reporting to various government agencies adds a financial burden on corporation earnings which is not only discouraging but actually costs the government too much money. He will point out that the government loses 20¢ plus in taxes out of every dollar of profit unnecessarily spent by a corporation.

The major attack of Willkie will be launched behind charges of inefficiency, incompetence, and waste in Washington. His all-important national defense battle will be fought on the ground that the Administration is unable to provide adequate defense because of these weaknesses.

There will be no Republican attacks on the amounts of money appropriated for national defense, either in the seven years of the New Deal or now. The assault will be concentrated on the point that the people won't get their money's worth under the New Deal. So the campaign will not affect defense appropriations, whether Roosevelt asks for more or not.



*Wendell Willkie, Republican Presidential candidate, steps into the ring eminently fit for a slam-bang fight.*

Willkie's attitude on preparedness will encourage, rather than discourage, defense spending. It happens that the Republican platform is also strong on this point, but it is not a good rule to put any faith in platform pledges, whether specific or straddling. No Administration has ever bothered about them. Even Woodrow Wilson, who said his Baltimore platform was not "molasses to catch flies," completely reversed his position on the bitterly controversial Panama Canal tolls issue within a year after his inauguration.

So it's a pretty good idea to study Willkie and his opponent, whether it be Roosevelt or someone else, rather than to pore over the verbiage of the two statements of party position.

Post-convention thinking has suggested to many astute politicians that the war issue will not be as important as many had expected. Most Republicans at Philadelphia seemed to think they had Mr. Roosevelt in a hole on this, but the extreme probability is that both Roosevelt and Willkie will be promising so strenuously to do precisely the same things about the war situation that it will be difficult for anyone to regard this as the paramount issue. With both Roosevelt and Willkie saying that they will keep this country out of war if humanly possible, that their sympathies are with the democracies, and that the democracies should be allowed to use America as a supply source to the limit of inter-

national law, it would become a question of whom the voters will most trust.

Most observers believe that Roosevelt will be renominated. But whether he is or not, the Democratic nominee will have to run on the Roosevelt record. That's assured by the complete grip of F. D. R. on the Democratic organization, riveted by the Democratic primaries. Therefore, it will be Roosevelt who will be making the issues on the Democratic side, whether he is President and candidate, or whether he is President and Boss.

Two courses are open to him. The more likely, in the view of most observers, is that during the next few months he will seek to avoid any further irritations of business either by administrative acts or Administration-pressed legislation which would put more ammunition in Willkie's hands. But some of the Left Wingers are ardent for a more daring course—and no one has ever accused F. D. R. of being timid politically. He might decide that Willkie would get the conservatives, anyhow, and that, therefore, the politically smart thing would be to make sure that the "liberals" were brought 100% to the New Deal standard.

## Putting Up with What They Have

Some old-line Republicans think Willkie is a dangerous radical. But they like him better than Roosevelt, and certainly better than Corcoran and Cohen, Ickes and Carmody. The Left Wingers are often dissatisfied with what they regard as the latent conservatism of Roosevelt. But he is a lot more satisfactory to them than Willkie, especially as he keeps many of them in office; they think progress is being made despite Roosevelt's—to them—too frequent application of the brake.

No one is sure how important in determining votes is the fact that Willkie is a public utility man, and a holding company man at that. Certainly, the Democrats will do their best to make it a supremely important issue. They will ring the changes on the old Insull drama, the looting of widows and orphans and the robbing of the consumers with excessive rates. But Willkie likes to talk about that. He did not get into the electric holding company field until 1933, and no one can make a hot case on looting of stockholders since then. And the Republican nominee can make a pretty good case on the soundness of his own management of his utility properties and on his progress in reducing charges for electricity.

The debate on this particular subject will be vital. It will affect the country's whole future, so far as the spread of government ownership is concerned.

## It's Going to Be a Fight

Similarly, the debate on government fiscal policies, spending, and treatment of business, may chart the course of our country for years to come, whether Willkie defeats the New Deal at the polls or not. For, make no mistake about it, this is

going to be a fight. The cleverest politician, the ablest radio appealer, and pretty nearly the most appealing personality who ever occupied the White House will make and direct the campaign on the New Deal side, whether he is the candidate or not. Against him is one of the few figures in America who is not

afraid to debate with Roosevelt, or with Bob Jackson. It will not be a repetition of 1936. Willkie can make himself heard. He can influence people—as proved by the most extraordinary national convention ever held in this country. Win or lose, President Roosevelt will know he has been in a fight.

## Production Man Knudsen Produces

**Having no time for Washington society, he rises at 6:30 a.m., and works overtime on defense job though it sets aside his own precept for executives.**

WASHINGTON (Business Week Bureau)—When William S. Knudsen came to Washington as head production man of the President's Defense Commission, his first priority order was personal. It set aside the socialities (which Washington would observe if the world were disintegrating) and went to work.

Detroit knows Bill Knudsen as an expansive soul whose after-office hours are enlivened by company, music, cheerful dinners. In Washington he has established a hermitage. It is a sizable furnished house "out Northwest," far from the downtown inns and their insistent conviviality. He has leased the house for three months. "After that," he says, "we'll see."

He even left his family behind when he moved into this retreat. Only other occupant is his Filipino boy who keeps the house straight and cooks the meals. At 6.30 each morning a heavy tread upstairs tells the Filipino that the boss is up. After breakfast Mr. Knudsen is driven to work by a borrowed colored chauffeur in one of the Buicks which General Motors keeps at important points for its own brass hats or high-ranking visitors. He doesn't read the paper on the way down. Just sits and lays out the day's work or watches the Chevrolets go by. He reaches his office by 8 or 8.15.

### An Executive Sets to Work

Mr. Knudsen's temporary headquarters are in the Federal Reserve Building on Constitution Ave.

In his outer office three vacant desks await stenographers who are still enjoying that precious morning snooze. At a fourth desk, spectacled and alert, sits W. M. Collins, Mr. Knudsen's secretary. (He hasn't had a female secretary since he found one in tears over cuss words used in a conference.) Mr. Knudsen and Mr. Collins swap good-mornings as the former makes a bee line for his office.

Collins has already shucked and winnowed the morning mail of 400 to 500 letters. The boss has time to study the important residue until 9 o'clock when the appointments begin. Some letters he has time to answer. Mr. Knudsen doesn't dic-

tate replies. Instead he takes a pencil and a big yellow pad and writes out the answers in long-hand. From the way he grinds and machines his words you would think they were worth a \$1,000 apiece—as indeed many of them are. The brevity and precision of this Danish-born American's letters could be studied by business men who adorn their dictation with verbal wisteria. A Knudsen saying is: "No business letter needs to be more than a page."

Communications to friends or associates are signed with a sprawling, blue "K." But letters to government officials get a conventional "William S. Knudsen" in ink.

Soon after 9 o'clock comes the deluge of visitors. Collins sieves out the pests and the unimportant. These range all the

way from the inspired crackpot who would destroy enemy fleets by liberating porpoises dosed with TNT, through the boys who want jobs for themselves or their cousins, and civic delegations after new defense plants, down to the amiable wight who met Mr. Knudsen at the Chicago automobile show in 1926 and just dropped in to say "hello." Collins tries to hold appointments to 15 minutes.

Detroiters are sure Bill Knudsen has retained his habit of wearing his hat for heavy thinking periods in his office. One home-town caller tells of noting within easy reach one of those half-acre Texas sombreros such as Amon Carter gives distinguished visitors to Ft. Worth. Knudsen explained: "I've been so (two words deleted) busy here I haven't had time to buy another hat."

### Handles Interviews Swiftly

Knudsen is so sparing with his conversation and so direct with instructions that it seldom takes long to polish off a business session. Most of the visitors are executives in charge of production in plants preparing for war orders but there is a sprinkling of big-company heads. By 1 o'clock the parade thins out and Knudsen knocks off for lunch.

He eats a moderate mid-day meal (perhaps washed down by beer) in the private dining room of the building. Ordinarily this is sacred to the august Board of Governors of the Federal Reserve but they have invited Defense Commission members to make use of it. Mr. Knudsen rarely takes more than a half hour for



Pictures, Inc.

*This is the bow that William S. Knudsen gave President Roosevelt when they met for their first national defense conference—but it's not an obsequious one. As a matter*

*of record, it's the one that everybody gets, and the one he gives stenographers he passes daily in the halls around the Commission's offices in the Federal Reserve Building.*

lunch. Usually he sits with brother members of the Commission and the meal becomes an inter-office conference, supplementing the regular meeting of the Commission held once a week.

### Old-World Courtesy

Afternoons are like mornings except there is more likely to be time-out between visits. In his office Mr. Knudsen sits hunched, huge and relaxed, over his desk. But in lulls he likes to wander down halls for unexpected visits to assistants. If he meets a stenographer he knows he bows from the waist with a smile that leaves the young lady a-flutter.

This bow was caught by photographers when President Roosevelt and Knudsen met for their first defense conference. A blatant lover of the people among the observers thought the bow "too obsequious." He didn't realize that this was a habit of old-world courtesy which hangs on. Knudsen bends just as low when he is introduced to the typist's husband.

Thursday afternoon at 2 o'clock the Defense Commission goes to the White House for an hour's conference with the President. Here policy questions are settled. Though on the other side of the political fence, Mr. Knudsen gets along fine with Roosevelt. They have much in common. Both are positive personalities with the ability to pass along problems to subordinates and then wipe the matter entirely from their minds.

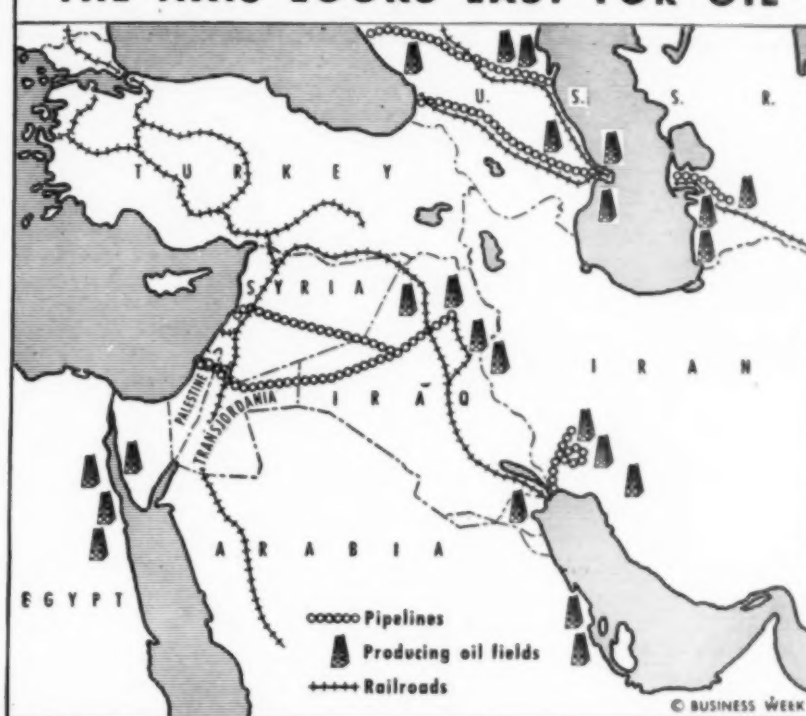
Back in his office, Defense Commissioner Knudsen stays on the job until 7, sometimes later. Final hours are devoted to writing down more replies to letters, reading urgent reports, giving Collins instructions for the following day.

### Relaxes on the Classics

The same company Buick with the grinning black boy at the wheel is waiting to take the commissioner back to his hermitage. Dinner is from 7.30 to 8 o'clock. Sometimes (not often) there is an important personage or personages but the conversation is shop talk. Knudsen may drink wine or beer with the meal. (He never touches the hard stuff.) After the dinner the conference is extended. If he is alone he reads until bed-time, 11.30. Just now he is violating his pronouncement that "an executive is no good if he can't do his job in an ordinary working day at the office." Frequently there are reports that have to be digested in the hide-away. More often he reads for relaxation (he is no radio fanatic).

Bill Knudsen is not one of those harried executives who seek escape in blood and thunder mysteries. He does not care a hoot who stuck the paper knife in Lord Dribblepu's back nor why the green-eyed enchantress dropped the pearl necklace in the sewer. He doesn't see why you shouldn't improve your mind while resting it. So he relaxes on history, classic literature, and such.

## THE AXIS LOOKS EAST FOR OIL



To the Axis, a rich war prize would be the oil in Iraq, controlled by British, French, and United States companies. But, to meet requirements, Germany and Italy would also have to get control of British fields in Iran.

## Frontiers Shift in World Oil War

Internationalized corporations under control of Axis may emerge as result of Allied collapse. U. S. still has to grapple with domestic oversupply situation.

ONE OF THE THINGS the Axis partners are woefully short of and one that they most assuredly are planning to grab when the time comes is petroleum production. They have their eyes on little Iraq where the rich Mosul field annually pours more than 30,000,000 bbl. of crude oil through the two pipelines which cross Syria to the Mediterranean. And, while looking at Mosul, it would be understandable if their eyes wandered a little farther eastward to Bahrein Island with its 8,000,000 bbl. a year and on into Iran with nearly 80,000,000 bbl. annually.

These areas together account for nearly 120,000,000 bbl. at the rate they produced in 1939, and that would place them fourth in the world totals—behind the United States (1,264,000,000 bbl.), the U.S.S.R. (217,000,000 bbl.), and Venezuela (206,000,000). It's a quantity vastly larger than Rumania's dwindling output (64,000,000 in 1936, 52,000,000 in 1937, 48,000,000 in 1938, and 46,000,000 in 1939) even though the fields in King Carol's country—thanks to the U.S.S.R.

—have been much more in the news of late than those of Asia Minor.

Prewar imports indicate that Germany needs perhaps 35,000,000 bbl. of petroleum and petroleum products a year and Italy approximately 20,000,000. Because imports of both countries were made up, in substantial part, of refined products, the amount of crude oil needed is materially higher than the 55,000,000 bbl. total for the two countries' imports.

### Switching Petroleum Flow

Hence, if Germany is able to enforce its will in Asia Minor, there presumably will emerge internationalized corporations to handle this oil. If the Axis powers are to draw most of their petroleum supplies from Iraq and Iran—and hold shares proportionate to their oil needs—then it is obvious that Hitler and Mussolini will have the dominant voice in these internationalized corporations.

Heretofore, the British have controlled most of the oil in Iran, and the Bahrein field has been worked by Standard Oil of



California and Texas Corp. In Iraq, the British have had a 50% interest and the French and American companies one of 25% each. Incidentally, France has derived almost exactly one-half of its requirements from the pipelines which connect the Mosul field with the coast of Syria.

At the moment, Mosul production is shut down—has been ever since Italy's entry into the war, thereby virtually blocking Mediterranean shipments. Oil from Iran is anything but handy to Continental Europe and the British Isles inasmuch as it is obliged to make the long trip down the Persian Gulf and around Africa. All of which once more focuses attention on export possibilities of the Americas.

### Lubricants, Paraffine Gain

The United States has never achieved the exports which were hoped for when war broke out in Europe. In fact, statistics summarized by *World Petroleum* for the period of September through March show a decline from 102,000,000 bbl. of petroleum and petroleum products for the 1938-39 months to 92,000,000 for the 1939-40 interval. Good gains were chalked up only in lubricants and paraffine, the latter being important in munitions manufacture.

Decline in the United States' exports was most marked in gasoline—from 29,000,000 bbl. in the 1938-39 period to just under 20,000,000 in the 1939-40 months. To remedy the domestic oversupply situation, gasoline exports are the thing most vitally needed.

A burdensome supply of gasoline was accumulated over the winter, due largely to the extraordinarily heavy demand for fuel oil occasioned by unusually severe weather in this country. Fuel oil normally is the byproduct of gasoline production. However, when refineries have to turn out fuel oil during the slack season for gasoline consumption, the incidental production of gasoline means storage of the surplus.

### Rely on Illinois Oil Cut

The net result was that the oil industry had a little over 100,000,000 bbl. of gasoline on hand when the season of large consumption opened this spring. Opinions differ on the amount which is logical, but it is fairly safe to say that 80,000,000 bbl. would have been ample and that the price structure would have been firmer had the storage been even less than that amount.

Main hope for improvement now lies in the moderate decrease in the Illinois crude oil production rate. The state jumped from an output of less than 7,500,000 bbl. in 1937 to 24,000,000 in 1938 and then soared to 92,000,000 in 1939. The second quarter of this year, however, has seen some reduction in the output while other sections of the country are holding fairly even.

## They Want to Stick to Their Last



With a \$4,000,000 production year half over, the Automobile Manufacturers Association — through its re-elected president, Alvan Macauley — went on record at its annual meeting last month (above) as being convinced that the industry could con-

tribute most to national defense by maintaining production. Meanwhile, June proved a banner sales month for the industry. Cleanups of new cars were excellent, and some companies did more retail business than in the same period in 1928-29.

## War Hits Scotch

Stock runs low at very time Britain counts on it to supply exchange for U. S. purchases.

WASHINGTON (*Business Week Bureau*)—Scotch whisky, the international social solvent, is now faced with a sterner task than winning friends and influencing people. Its taxes must help fill the British home war chest, exports must supply exchange for purchases of war necessities, especially in the U. S.

In Britain every bottle of Scotch (one-fifth of the U. S. gallon, one-sixth of the British Imperial gallon) pays an excise tax of 11s.5d. (£2). The war tax increase from 10s. (\$1.75) to 11s.5d. has raised the retail price from 14s.3d. (\$2.50) to 16s. (\$2.80).

Patriotic British citizens help their country more by buying whisky than by buying "National Savings Certificates" (British "baby bonds"). An M. P. in the House of Commons recently cited the example of a man with 16s. to spare: "If he took it to the Government and bought a National Savings Certificate, at the end of 10 years the Government would give him back 21s., whereas if he used it to buy a bottle of whisky, the Government got 10s. and would not have to give him back anything at all. A further consideration is that 4s.7d. of the 16s. would go into somebody's taxable income—for instance, the distillers—and the government would get part of that as well."

But the government's purpose in

heavily increasing the whisky tax is to hold down home consumption. For Scotch whisky's main service to the empire is abroad. It has the vital task of securing dollars for British purchases in the United States. In 1938, out of total U. S. imports from the United Kingdom valued at \$118,000,000, imports of whisky made up \$32,000,000. But now the sad fact is that stocks are low, because of short production from 1931 to 1933. The current supply is the thinnest in years.

Since the war broke, U. S. citizens have drunk 15% more Scotch than previously. Imports for consumption in the period September-April were 5,591,000 gal. as against 4,865,000 in the previous September-April. Consumption before the present war averaged 6,000,000 gal. yearly; consumption before the World war ran to less than a million. In 1939, Americans spent \$112,500,000 for 7,900,000 gal. of Scotch—a new record. The current increase in Scotch consumption is far outrunning the increase in consumption of domestic spirits.

### Whisky for Ballast

But Scotch-and-soda consumption has not kept pace with the frantic rate of imports. Fearful of the mature stocks shortage, rising prices, and wartime destruction, American importers have filled Britain's westbound freighters (which would otherwise have traveled mostly in ballast) with record consignments of Scotch whiskies. Only one loss, that of the *Athenia* with 40,000 cases, has been reported. Importers have

# COMMANDER GATTI Returns from BELGIAN CONGO with Great Enthusiasm for INTERNATIONAL TRUCKS



Commander and Mrs. Gatti — from the frontispiece of their book, "Great Mother Forest," published by Charles Scribner's Sons.



The de luxe caravan at Niagara. All the trucks are standard chassis, as sold by International dealers.

The beautiful living room and observation-dining car, with library, desk, and bar. Note indirect lighting, telephone, and two-way radio. There are also two perfectly appointed bedrooms and an all-electric kitchen.



"These crude African dirt roads are flooded by the rainy seasons and amputated in long stretches by maddened streams; thrown up and down crazy mountain chains in unbelievable hairpin turns and climbs." — Commander Gatti.

COMMANDER ATTILIO GATTI, famed African explorer who two years ago set out for the equatorial jungle with his luxurious "Jungle Yacht" expedition, has returned to America with a world of praise for his five International Trucks.

Commander Gatti writes International Harvester: "I do not know what importance you attribute to my testimony, but I assure you I do not give it lightly. I could not exaggerate my great admiration for this so perfect performance! The work of these trucks is what I had dreamed of so many years in Africa.

"In my nine earlier expeditions I had tried so many trucks and suffered with so many. My first travels were by camel in 1919. I

then used Italian trucks, then French, then English. My sixth safari was powered by well-known American trucks. Always there was chronic grief and trouble... But finally at Nairobi my eyes were opened when I first used an International, and it was a second-hand truck. What I then saw from day to day was truly a revelation.

"That is why the 'Jungle Yacht' expedition had to be International-powered. I congratulate myself, and I congratulate your company on a magnificent product!"

Write for the profusely illustrated booklet covering Commander Gatti's long career on the Dark Continent. Return the coupon or simply send a penny postcard.

INTERNATIONAL HARVESTER COMPANY  
(INCORPORATED)  
192 North Michigan Avenue Chicago, Illinois

INTERNATIONAL HARVESTER COMPANY  
(INCORPORATED)  
192 North Michigan Ave. Chicago, Ill.

Please mail me, free, Commander Gatti's own fascinating story of his adventures.

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_

# INTERNATIONAL TRUCKS

brought in nearly two years' supply since the war began. In the eight months September to April, all whisky imports were 10,325,000 gal., up 60% over the previous September-April period. And since these figures include imports from Canada, which have been falling off steadily, the Scotch increase is much greater than 60%—probably nearly 100%.

The importers were smart, for a dearth of labor, bottles, and packaging materials in England has materialized. Price increases are imminent. The difficulties were brought home to these shores recently when the "Cameronia" docked without its expected full cargo of Scotch. Efforts to allow the shipping of Scotch in bulk for bottling in the U. S. or Canada are being considered.

The increase in the U. S. excise tax on distilled spirits, effective July 1, is a blow to British plans for Scotch in the U. S. The combined U. S. excise, customs duty, and New York state excise will then be \$7 on a gallon of five fifths, bottled for consumption.

#### Distillers Make Ready

The recent rationing of British distillers to one-third their normal grain allotments will not have its effect until seven or eight years hence. Apparently in anticipation of the war, canny Scotch distillers made 1939 one of their biggest years, producing more than 33,000,000 Imperial gal. (which are 1.37 times the American Proof gallon). The British have been consuming about 9,000,000 gal. annually and exporting an equal amount—so that sufficient future supplies are assured if there is no extended restriction of production. Present British stocks are 133,000,000 Imperial gals.

Practically all of the grain for distilling Scotch must be imported. Corn, brought from the Argentine, United States, and elsewhere, is the principal ingredient of the mash for grain (blending) whisky. Much of the barley necessary for malt (body) whisky formerly came from Germany. But producers must now look elsewhere for their barley; and food needs this season may well force a complete cessation of distilling.

#### The Mystic Scotch

The possibility of removing the industry to Canada (in case of another Hitler triumph) is remote. British entrepreneurs have repeatedly tried to produce Scotch outside Scotland but without success. Scots solemnly assert this is due to mystic qualities of their soil and air. But Scottish water, peat, and distilling tradition are very real elements. The quality of Scotch is dependent on the subtle distinction in flavor engendered by a multiplicity of small batches of whiskies produced lovingly according to age-old recipes in small individually-owned pot stills scattered—and rotted—throughout Scotland.

## NATIONAL DEFENSE

### We Can Go Ersatz, Too

Substitutes from industry's research laboratories and ingenuity in finding new sources will take care of our anxiety about those "strategic" and "critical" materials.

NOW THAT WE are getting down to cases on national defense, enlightening—and reassuring—answers are coming out on industry's ability to supply, or to provide satisfactory substitutes for, those "essential," "strategic" and "critical" materials headlined by the Joint Army and Navy Munitions Board.

According to the military classification, "essential materials" are those raw materials of military importance of which we ourselves produce enough to fill all our needs—such as iron, copper, coal, oil, cotton, phosphates, sulphur, lead, zinc. "Strategic materials" are the essential ones for which we have always depended on foreign sources. And "critical materials" are the essential ones which must come in part, but not wholly, from foreign sources and are, therefore, actually less critical than those on the "strategic" list.

#### U. S.'s Treasure of Resources

Of the fourteen items on the strategic materials list, not more than three—chromium, manganese, and tin—should cause any anxiety, and there are ways and means of ameliorating, if not fully curing, their real or fancied lack. Here's the situation:

**Antimony**—the alloy whose uses range from type metal to storage battery plates to hardening lead in shrapnel shells—formerly came in large part from China. Now the supply from Mexico is so plentiful that its price of 14¢ has remained stable throughout all the recent market gyrations. More could come from the U. S., which already produces 7% of domestic requirements, and still more is obtainable from South America.

**Chromium**—alloying ingredient of stainless steel, "high-speed" cutting tools, and armor plate, also chemical constituent of paint, leather-tanning liquor, dye-stuffs, and refractory brick—comes from Southern Rhodesia (25%), Russia (22%), Turkey in Asia (19%), Union of South Africa (15%), and from Cuba, the Philippines, our own country and miscellaneous sources (19%). Cuban and American sources have scarcely been scratched, are now undergoing more intensive development. If worse came to worst, it is estimated that, long before present stockpiles in private and public hands run out, American sources alone

could be made to take care of military requirements. The rest of the country might have to return to a stainless-steelless basis, resume the use of oak-tanned leather, chrome-less paints, etc.

**Coconut shell char**—for gas masks and solvent recovery—has practically all come from the Philippines. But there are lots of coconuts in Florida and the West Indies, and a satisfactory substitute has been found in a specially prepared wood charcoal.

#### Manganese-Extraction Eased

**Manganese, ferrograde**—indispensable to the production of steel through its ability to cleanse and harden—comes from Russia (38%), Gold Coast (25%), Cuba (12%), Brazil (8%), British India (7%), balance from the United States and other sources. But the Bureau of Mines has developed a new process for extracting manganese from low-grade ore, of which we have unlimited quantities (*BW—May 11 '40, p. 34*). The process is so simple that it can be extended quickly. Meanwhile, stock piles of foreign manganese are large and growing.

**Manila fiber**—used principally for rope, binder twine, wagon covers—comes from the Philippines. If the Navy cannot satisfy its requirements for cordage, and the Army its requirements for sandbags, from that source, it is respectfully suggested by highly interested parties that there is a cotton surplus, a vast array of tough new synthetic fibers such as Nylon and Vinyon, and a big potential source of hemp in nearby Mexico, Cuba, and Haiti.

**Mercury (quicksilver)**—ingredient in drugs and chemicals, essential to instruments and detonating compounds—has mostly come from Spain, Italy, and Mexico. Recently, however, our domestic production has hit 3,000 flasks per month, more than our maximum use during the World War. Meanwhile, our research chemists have developed three substitutes for fulminate of mercury in detonators: lead azide, diazo-di-nitro-phenol ("DDNP"), and a new metallic salt as yet unnamed.

**Mica**—indispensable in the sheet form as insulation in the automotive, aircraft, and radio industries—is imported mainly from India and Madagascar, where there is a cheap labor market. In a wartime economy, when cost is no object, plenty





**HAVE YOU READ** your life insurance policies carefully—recently?

If not, we urge you to do so, before another day goes by. Examine each policy you own and, when you come to the part about method of final settlement, ask yourself this important question:

*"Have I chosen the method of payment, available under my policy, which will be best suited to my own needs and those of my family?"*

Most Ordinary policies, as you know, offer a choice of several methods of payment. In the first place, the amount due may be paid to your beneficiary in one lump sum. You may prefer, however, to select one of the other methods, commonly known as "optional modes of settlement."

These options or choices can be divided into three types:

**Type 1. Interest Payments.** The life insurance company retains the amount due under your policy and pays interest on this sum either for a number of years agreed upon, or for as long as the person to whom it is payable may live. At the end of this period, the principal itself is payable in one sum, to whomever has been named to receive it.

**Type 2. Instalment Payments.** The company pays from the amount due under your policy, and the interest earnings thereon, stated sums in equal instal-

ments for a specified number of years agreed upon. At the end of the instalment period, the principal will have been used up. Most policies contain a table showing the amount of instalments payable over various periods of time.

**Type 3. Life Annuity Income.** The company retains the amount due under your policy, and pays a life income to your beneficiary.

There are several forms of life annuity income settlement. Some of them provide for additional payments if the person receiving life income dies before such payments total a certain amount, or before they have been received for a certain length of time. The amount of income is determined by several factors, including the age of the beneficiary at the time payments begin, and the form of settlement which is selected.

In your policy, if it is not a very old one, you will probably find tables illustrating the benefits obtainable under one or more of the life annuity income methods of settlement.

The entire amount due under your policy need not be placed under any one option. Part of the amount due can be paid in a lump sum, and the balance left with the company under one or more of the options. The income is payable, at your selection, either annually, semi-annually, quarterly, or monthly, provided

only that each payment is at least \$10.

The use of "optional modes of settlement" is not restricted to payments to your beneficiary. Under certain conditions, they may also be applied to payments which may become due to yourself in accordance with the provisions of your policy and in final settlement thereof.

Your Metropolitan agent will gladly help and advise you in determining which of the methods available under most Metropolitan Ordinary life insurance policies seem best suited to your needs and to those of your beneficiaries.

COPYRIGHT 1940 — METROPOLITAN LIFE INSURANCE CO.  
This is Number 27 in a series of advertisements designed to give the public a clearer understanding of how a life insurance company operates. In Canada the privileges outlined in this advertisement must be exercised in conformity with the laws concerning the rights of beneficiaries in the various Provinces. Copies of preceding advertisements in this series will be mailed upon request.

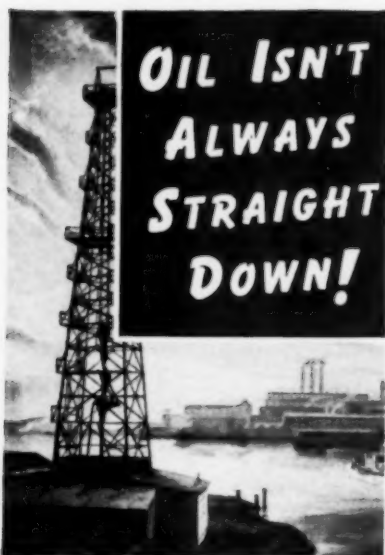
## Metropolitan Life Insurance Company

(A MUTUAL COMPANY)

Frederick H. Ecker,  
CHAIRMAN OF THE BOARD  
Leroy A. Lincoln,  
PRESIDENT

1 MADISON AVENUE, NEW YORK, N. Y.

Plan to visit the Metropolitan's exhibits at the New York World's Fair and at the Golden Gate International Exposition in San Francisco.



## So hundreds of operators depend on LANE-WELLS OIL WELL SURVEYS

Oil wells, like gopher holes, are seldom straight. Crooked holes develop problems that increase production costs. Charting the course of an oil well as it is drilled to correct for deviation, or surveying to record inclination and direction through the length of the bore hole are two of Lane-Wells Technical Oil Field Services that increase oil well efficiency and lower the cost of petroleum products to you.

The fascinating story of Lane-Wells Services and the vital part they play in present day oil production programs is available in bulletin form. If you would care to have a copy, write Lane-Wells, Los Angeles.



Pipe rotation is accurately recorded during a Lane-Wells Oriented Survey.



Lane-Wells Single-Shot records hole inclination and direction during drilling operation.

**LANE WELLS**  
*Everywhere*

of mica can be taken from domestic mines, and there are further supplies in Argentina, Brazil, and Canada. If those sources failed we could turn to substitute materials like Alsifilm, synthetic plastics, and glass.

**Nickel**—of which Canada has 90% of the world's supply—should continue to be ours for the asking and paying. It is inconceivable that we should want for this essential ingredient of armor plate and all the host of nickel alloys.

**Quartz crystal**—used principally in jewelry, optical instruments, and radio equipment—comes from Brazil. The quantity used is so small that all requirements could be satisfied in an emergency by airplane delivery.

**Quinine**—army doctors' panacea—came originally from South America, but has lately been a Dutch-Java monopoly. There are excellent substitutes in chinacrin and plasmochin, both made synthetically in this country. Besides, the Army has a stockpile of quinine estimated at 2,000,000 oz.

**Rubber**—one of the most important strategic materials—can be replaced for various essential uses by any one of several synthetics, like Ameripol, Buna, Neoprene, and Thiokol before existing stocks of raw and manufactured rubber are depleted (BW—Jun 15 '40, p. 12).

**Silk**—practically all of which comes from Japan—has long been considered essential for parachutes and powder bags. Various rayons are now acceptable to the Army and Navy, if silk cannot be had. As insulation for wires and cables, silk can be replaced by Fiberglas and certain synthetic fibers.

### No Tin Smelters Here

**Tin**—until recently an essential for food cans and other containers made from tin plate, bearings, solders, bronzes, gun metals, etc.—comes wholly from foreign sources, such as the Malay States, Netherlands East Indies, and Bolivia. There are no domestic smelters, but a new pilot plant is being built and equipped by one American company. Stockpiles in private hands are large, but if Far Eastern supplies should be entirely cut off, we would be hard put to equip smelters to take care of Bolivian ore. The can companies indicate that, in a pinch, they could make their products of black steel plate, protected by lacquer. In a real pinch the Army and Navy might commandeer all tin, leaving civilians to untinned cans, glass containers, liquid-proof Pliofilm bags, and cellulose wrappings. Silver is a potential substitute to be used as a liner for containers, and so is aluminum.

**Tungsten**—essential for incandescent electric lamps, high-speed steel, tungsten carbide, and other cutting tools—is already produced in the U. S. up to 50-75% of our requirements. Private stockpiles are big. If Chinese tungsten is cut off entirely, and consequent high prices make

domestic mining profitable, there is enough and to spare. Besides, fluorescent lamps could conceivably take the place of incandescents in many locations.

Of the 15 so-called critical materials—aluminum, asbestos, cork, graphite, hides, iodine, kapok, opium, optical glass, phenol, platinum, tanning materials, toluol, vanadium, wool—only two are likely to cause any headaches: cork and optical glass. At that, experts consider that, if need must, enough of both materials could be salvaged from present domestic use to take care of defense emergencies.

## Soldiers' Pay

**Companies called on to adjust wage policies to national defense training programs.**

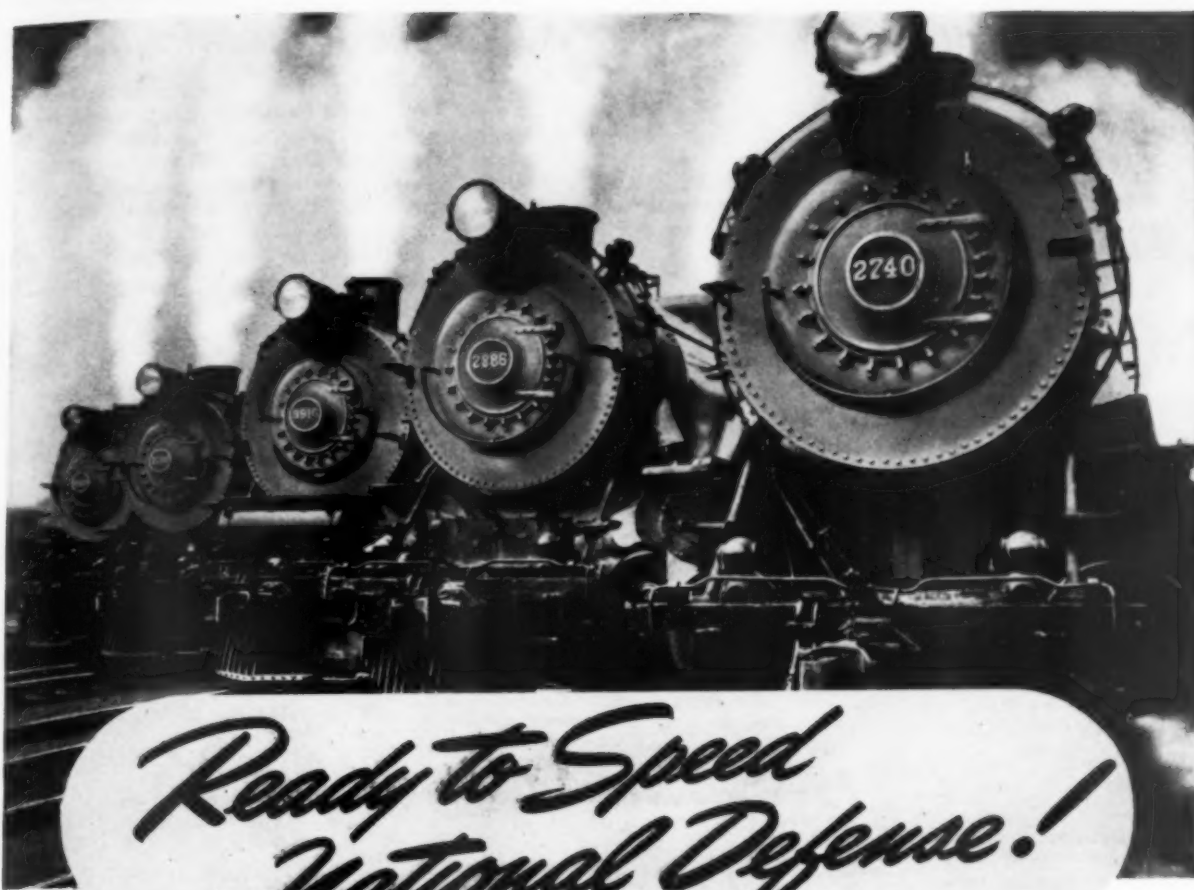
THE DUFFLE-BAG MARKET was active this week as thousands of clerks, laborers, salesmen—male American citizens—prepared for their annual summer training with the National Guard. Traditionally having some of the flavor of a picnic, the mobilization of the Guard and the Organized Reserves is this time less like an outing than ever before. Intruding international events make the assembling of America's citizen army a grimly serious business.

Always discommoding to industry because of the temporary personnel displacements which it causes, the summer camp training period opens this year with an unprecedented attempt by the government to induce business to make enrollment in the Guard attractive. According to Louis Johnson, Acting Secretary of War, the move is meeting with "gratifying success." The War Department is seeking to get employers to cooperate in granting to employees called up for training 30-day furloughs and full pay without impairment of seniority rights.

Listed among the organizations willing to accept this recommended policy were, General Mills, Inc., of Minneapolis, the Los Angeles City Council, the San Francisco Chamber of Commerce, Roos Brothers, Inc., of San Francisco, the National Retail Dry Goods Association, the National Association of Retail Clothiers and Furnishers, and the Baltimore, San Francisco, and Cleveland Stock Exchanges.

### Salaried Employees Favored

In an effort to determine what management's policy will generally be on the question, the National Industrial Conference Board has conducted a survey. It finds that of 297 companies queried, 72 have made some arrangement for paying wage-earners for National Guard or Reserve Corps absence. Out of 215 companies questioned about salaried employees, 169 are paying for such absence on some basis. The Conference Board's study polled employers on policies already in



## Ready to Speed National Defense!



**E**VERY loyal American wants to see his country prepared to meet any emergency—and a strong nation needs strong railroads.

The very size of the United States and the need for mass movement of men and supplies over long distances make railroads the foundation of national defense, as well as of our normal transportation system. Other forms of transport which ordinarily haul about one-third of our commerce supplement the railroads, but cannot take their place.

So it's sensible to ask, how is the nation's No. 1 transportation set for doing its job?

And a compact answer to that question is:

*In speed and operating efficiency the American railroads today are at the highest peak in their history.*

That's a strong statement. Here are the facts—

The average speed of freight trains today is 62 per cent higher than in 1920, at the close of the first World War period. Today, each freight train actually performs more than twice as much transportation service as twenty years ago.

Operating efficiency was tested and proved between August and October 1939, when the railroads handled the biggest increase in traffic ever recorded in so short a stretch of time—and handled it with such smoothness and skill that in the busiest week there was a daily average of 64,299 surplus freight cars in good order and ready for duty.

All this didn't just happen. Despite lean years railroads have recognized and met their obligation to keep fit. Heavier rails have been laid, better equipment has been developed, new terminal facilities have been installed, literally billions of dollars have been put into better and more efficient plant and equipment.

In the operating end, new methods have been developed for having cars available for loading whenever and wherever freight is ready to move—and for sorting and speeding freight cars through classification yards at a rate as high as 1 car in every 12 seconds.

And as an example of

how the railroads are equipping themselves to handle increased traffic, consider this fact: In the first six months of 1940, they placed in service more new freight cars than in any like period in the past ten years.

All of which shows that railroad men know their business—and are awake to their responsibilities.

As an essential arm of national defense the railroads should be strengthened and supported by sound and impartial public transportation policies.

★ ★ ★

**TRAVEL AMERICA—by Rail**

See your ticket agent about Grand Circle Tour!





## Personnel of the Advisory Defense Commission

ON MAY 29, the President revived the Cabinet Council of National Defense and appointed the National Advisory Defense Commission to administer the huge national defense program (*BW*—June 14, p. 15).

As of July 1, division heads had already gathered large staffs of experts. These are the persons with whom business will deal on defense matters and as additional staff appointments are made they will be announced.

### Rare Materials Division

Edward R. Stettinius, Jr., division head.

#### Staff

William L. Batt (S.K.F. Industries, Inc.), executive assistant.

Marion B. Folsom (Eastman Kodak Co.), executive assistant.

Charles E. Adams (Air Reduction Co.), senior administrative assistant.

T. B. McCabe (Scott Paper Co.), general administrative assistant.

Allen W. Morton (Koppers Co.), special assistant.

Theodore Yntema (University of Chicago), economic adviser and statistical expert.

Blackwell Smith (Wright, Gordon, Zachry, & Parlin), legal adviser.

Colonel James H. Burns (executive officer to Assistant Secretary of War), representative of U. S. Army.

Captain Allen B. Reed (assistant to Admiral Emory S. Land, chairman, U. S. Maritime Commission), representative of U. S. Navy.

#### Consultants

Gano Dunn (J. G. White Engineering Corp.), senior consultant.

#### Strategic Minerals

Dr. Charles K. Leith (University of Wisconsin), chief consultant.

Samuel H. Dolbear (Wright-Dolbear & Co.), specialist on chromium.

Howard C. Sykes (Mica Insulator Co.), specialist on mica.

Robert L. Hallett (National Lead Co.), specialist on tin.

Erwin Vogelsang (Malcolm Bally & Co.), specialist on tin.

Harris K. Masters (Charles Hardy & Co.), tungsten and antimony.

R. C. Allen (geologist), manganese.

#### Agriculture and Forest Products

Clarence Francis (General Foods Corp.).

#### Rubber

W. L. Finger (Rubber Manufacturers Corp.).

#### Raw Material Procurement

William C. Bower (N. Y. Central).

#### Textiles

Robert T. Stevens (J. P. Stevens & Co.), chief consultant.

Arthur Besse (Nat. Assn. of Wool Manufacturers), specialist on wool.

Earl A. Stall (F. W. Poe Mfg. Co.), specialist on cotton.

Charles A. Sweet (Wellington Sears & Co.), specialist on cotton.

H. J. White (Viscose-Rayon Division, E. I. du Pont de Nemours & Co.), specialist on synthetic textiles.

#### Transportation

W. Averell Harriman (Union Pacific Railroad Co.), liaison with Transportation Division.

#### Steel

Walter S. Tower (American Iron & Steel Institute), chief consultant.

J. D. East (United States Steel Corp.), research and statistics.

#### Power

Gano Dunn (J. G. White Engineering Corp.) and Leland Olds (Federal Power Commission), subcommittee on power.

Charles W. Kellogg (Edison Electric Institute).

John C. Parker (Consolidated Edison Co. of N. Y., Inc.).

Major Thoroand D. Weaver (U. S. Army Engineers).

Commander K. B. Bragg (U. S. Navy Civil Engineer Corps.).

#### Petroleum

Robert E. Wilson (Pan American Petroleum & Transportation Co.).

#### Chemistry and Chemical Industries

Dr. Edward P. Weidlein (Mellon Institute), chief consultant.

Dr. D. P. Morgan (Scudder, Stevens & Clark, investment counsellors).

E. W. Reid (Mellon Institute), consultant on production problems.

### Production Division

William S. Knudsen, division head.

#### Staff

John D. Biggers (Libbey-Owens-Ford Glass Co.), executive assistant.

E. F. Johnson (General Motors Corp.), assistant assigned to ordnance.

#### Consultants

##### Machine Tools

H. S. Vance (Studebaker Corp.), chief consultant.

##### Aeronautics

George J. Mead (United Aircraft Corp.), director.

Captain Sidney M. Kraus (U. S. Navy), assistant to director.

S. Paul Johnston (National Advisory Committee for Aeronautics), executive officer.

Theodore P. Wright (Curtiss-Wright Corp.), consultant on airplanes.

A. E. Lombard, Jr. (California Institute of Technology), assistant to Mr. Wright.

##### Shipbuilding

Admiral Emory S. Land (U. S. Maritime Commission).

### Labor Division

Sidney Hillman, division head.

#### Staff

Isador Lubin (Bureau of Labor Statistics), executive assistant, also liaison with Bureau of Research and Statistics.

Edward Martin (Bureau of Labor Statistics), assistant to Lubin.

N. Arnold Tolles (Department of Labor), assistant to Lubin.

Floyd W. Reeves (University of Chicago), executive assistant for labor supply assigned to training facilities.

H. A. Sarre (Federal Works Agency), assistant to Reeves.

Maxwell Brandwen (attorney), executive assistant.

Executive officers who will handle administrative work of the commission include Donald Nelson, vice-president of Sears, Roebuck & Co., Coordinator of National Defense Purchases (page 7); William H. McReynolds, former Presidential assistant, secretary of the Defense Commission; and Robert W. Horton, former director of the Division of Maritime Promotion and Information, U. S. Maritime Commission, Director of Public Relations.

#### Consultants

Arthur J. Altmeyer (Social Security Board).

Clare Meyer (Apprentice Committee, Department of Labor).

Wayne Coy (Federal Security Agency).

J. J. McEntee (Civilian Conservation Corps).

Major Frank J. McSherry (War Department).

Fred R. Rauch (Division of Employment, Works Progress Administration).

John W. Studebaker (U. S. Office of Education).

Aubrey Williams (National Youth Administration).

### Transportation Division

Ralph Budd, division head.

#### Staff

Karl W. Fischer (Chicago, Burlington & Quincy Railroad), executive assistant, also liaison with Bureau of Research and Statistics.

#### Consultants

A. T. Wood (Lake Carriers' Assn.).

T. V. Rodgers (American Trucking Assn.).

F. C. Horner (General Motors Corp.).

A. M. Hill (National Assn. of Motor Bus Operators).

### Agriculture Division

Chester C. Davis, division head.

#### Staff

Paul Porter (Columbia Broadcasting Co.), executive assistant.

Dr. H. B. Boyd (Insular Division, Department of Agriculture), liaison with Bureau of Research and Statistics.

### Prices Division

Leon Henderson, division head.

#### Staff

John Hamm (Russell Sage Foundation), executive assistant, also liaison with Bureau of Research and Statistics.

### Consumers' Division

Miss Harriet Elliott, division head.

#### Staff

Dr. Caroline F. Ware (American University), executive assistant, also liaison with Bureau of Research and Statistics.

#### Consultants

Mrs. Minnie Fisher Cunningham (General Federation of Women's Clubs).

Josephine Wilkins (Georgia Citizens' Fact-Finding Committee).

Mary Dublin (National Consumers' League).

John Cassels (Institute for Consumer Education).

Frances Williams (Laboratory Division, Y.W.C.A.).

John Edelman (U. S. Housing Authority).

Louis Adamic, author.

## Research for Defense

THE SUCCESS of the national defense program depends as much on men and ideas as on resources. These two agencies will see that neither is overlooked in building national defense.

### Bureau of Research and Statistics

This Bureau will contact existing agencies for statistical and research data on problems confronting the Advisory Defense Commission.

Personnel: Stacy May (Rockefeller Foundation), executive director; Morris Copeland (Central Statistical Bureau), Howard McClure (Bureau of the Census), Robert Nathan (Bureau of Foreign and Domestic Commerce), Morris Leven (Brookings Institution).

### National Defense Research Committee

This agency was appointed as an independent body to cooperate with the Defense Commission. Its job will include interviewing "idea men" and inventors to determine whether their schemes promise utility within the time limits of a realistic defense program. *Ernst* will be an important consideration.

Personnel: Dr. Vannevar Bush (Carnegie Institution of Washington), Dr. James Bryant Conant (Harvard University), Dr. Richard Tolman (California Institute of Technology), Dr. Karl Compton (Massachusetts Institute of Technology), Conway P. Coe (Commissioner of Patents), Dr. F. B. Jewett (Bell Telephone Laboratories, Inc.).

effect which had been predicated on a two-week training period. Extension of the training period this year may affect prevailing policies, but it is believed that most companies which have provisions for paying absentees will be willing to supplement National Guard wages.

Rates of pay per day for enlisted men in the National Guard are as follows:

Grade 7—Private	\$1.00
Grade 6—Private, 1st class	\$1.15
Grade 5—Corporal	\$1.40
Grade 4—Sergeant	\$1.80
Grade 3—Staff Sergeant	\$2.40
Grade 2—Technical Sergeant	\$2.80
Grade 1—Master Sergeant	\$4.20

A Company First Sergeant draws the pay of the technical grade. The compensation to enlisted men is in addition to living costs. Seniority has no effect on the pay rate.

Rates for commissioned officers are subject to a number of variations. Base rates for 21 days' service are:

Second Lieutenant	\$87.50
First Lieutenant	\$116.67
Captain	\$140.00
Major	\$175.00
Lieutenant Colonel	\$204.17
Colonel	\$233.33

In addition to base pay, commissioned officers receive allowance for subsistence and quarters, varying according to marital status. There are also pay variations on the basis of seniority.

**ADD TONS TO PAYLOADS...**

**HEMINGWAY BROS. INTERSTATE TRUCKING CO.**

**WITH STAINLESS STEEL TRAILERS**

TONS more payload per year—several times the strength of ordinary Trailers—and much lower upkeep expense! That's the "extra earnings" story of the new Fruehauf Stainless Steel Trailer. That's the reason truck operators are buying them in fleets.

These new weight-saving Fruehauf Trailers are the result of a unique combination of stainless steel material, frame-integral construction, special body design and the patented "Shot-weld" process of fabrication. You haul more every trip, your Trailer is far stronger, and its non-corrosive surface never requires painting. You earn more from every standpoint.

### BULK HAULERS, TOO

To bulk haulers, whose loads may be light, the new Fruehauf Stainless Steel

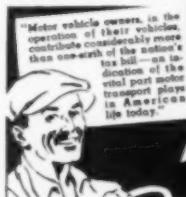
Trailer also brings big savings. With this unit you get considerably more loading space without increasing the weight of your Trailer one single pound.

### LOW COST

On any sound basis of comparison—per ton hauled, per mile traveled, per week, per year or over its entire long life—this new Fruehauf Trailer is the lowest-cost Trailer ever offered. Your nearest Fruehauf Branch will gladly send an experienced Fruehauf transportation engineer with the bedrock figures.

**A COMPLETE LINE**—The Fruehauf line of modern Trailers includes, in addition to Stainless Steel units, such types as the light-weight Aerovan open and closed vans, refrigerator units, warehousemen's vans, pick-up and delivery units for city operation, tanks for gasoline, milk, etc., live stock units, carryalls, dump-body types, pole Trailers, Differential Dual Wheels.

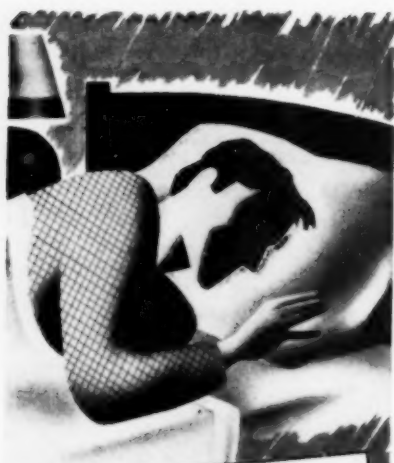
Oldest and Largest Manufacturers of Truck-Trailers • Sales and Service in Principal Cities  
**FRUEHAUF TRAILER COMPANY • DETROIT**



"Motor vehicle owners, in the operation of their vehicles, contribute considerably more than one-fourth of the nation's tax bill—an indication of the vital part motor transport plays in American life today."

**FRUEHAUF TRAILERS**

ENGINEERED TRANSPORTATION



PICTURE OF A MAN  
**ROBBING**  
HIS EMPLOYER

A trusted employee may embezzle from you in many ways. He may "neglect" to act (fail to lock safes, files or windows) and sleep while his confederate robs. That's one reason why it's important to have protection from an American Mutual Fidelity Bond. Its wording covers "dishonesty", not just "acts" of dishonesty.

Surprising to many firms is the fact that American Mutual Fidelity Bonds often *prevent* dishonesty, as well as covering possible losses. Expert investigators reveal any likely source of embezzlement before it's too late — without worrying honest employees.\*

*This prevention of thefts, fires, accidents, before they happen,* makes two-fold savings for firms and individuals who place nearly all forms of insurance but life in American Mutual. Losses you cannot cover by insurance are avoided. Often a good loss record lowers insurance costs.

Another big savings opportunity is attested by the cash dividend returns, 20% or more of insurance cost, made by American Mutual to all policyholders each year since 1887.



\*Write for your free copy of "There's No Vaccine for Embezzlement"—American Mutual Liability Insurance Company, Dept. H8, 142 Berkeley Street, Boston, Massachusetts.

**American Mutual**  
*Works to make America Safe*

## LABOR & MANAGEMENT

INDUSTRIAL RELATIONS • PERSONNEL • EXECUTIVE POLICY

### Lewis Now Wears Uneasy Crown

**C.I.O. split is definitely possible because of chief's political course. Murray might bid for power.**

DEVELOPMENTS within the last fortnight have led observers to wonder whether the American labor movement, already divided into A.F.L. and C.I.O., might not soon have another division. While the A.F.L. presents its usual placid face, things have been popping within the C.I.O., where a storm rages about John L. Lewis and his policies.

First rumblings came with Lewis's statement before the Republican Platform Committee (*BW—Jun 22 '40, p. 8*), interpreted in C.I.O. as an obvious attack on Roosevelt. Claiming to represent 40,000 dues paying members, 16 local C.I.O. unions in New York wired C.I.O. vice-presidents to repudiate the Lewis stand and make it clear to the public that he spoke only for himself.

Important among storm signals was the appearance of C.I.O. Leader Van Bittner before the American Federation of Hosiery Workers convention in Milwaukee. Bittner told the delegates that labor was solid behind Roosevelt, wanted him for a third term. The statement is significant because it was made by a man who is no johnny-come-lately in the labor movement, but who is actually one of the Big Four in John Lewis's own union, the United Mine Workers, as well as head of the Packing House Workers Organizing Committee and director of the Steel Workers Organizing Committee in 20 states.

#### Brings Quick Reaction

Next evidence of a storm was Lewis's withering attack of the President's plan to have Personnel Coordinator Hillman of the Defense Advisory Commission train 2,000,000 young people for national preparedness. The attack was bitterly resented by Hillman's labor colleagues, who are powerful in the C.I.O., and daggers were drawn behind closed council doors. The feeling was that Lewis, stopping at almost nothing to criticize Roosevelt, might have put the quietus on the training program under Hillman's guidance, that as a result the program might be turned over to some Army brass hat who would ignore organized labor's interest.

Then, in rapid succession came (1) Eli Oliver's resignation as executive vice-president of Labor's Non-Partisan League, breaking with the Lewis po-

litical body over the chief's "anybody but Roosevelt" attitude; (2) the refusal of clothing workers, textile workers, and other local C.I.O. unions in New York City to go along on the Lewis decision to set up a C.I.O. city central organization for Manhattan; and (3) the direct slap at Lewis by New York State C.I.O. groups who support the American Labor Party when, after the Lewis-Oliver fracas, they offered Oliver the position of A.L.P. executive secretary.

#### Watch This "Labor Statesman"

The man to watch if the rifts widen is Philip Murray. As vice-president of the United Mine Workers, vice-president of the C.I.O., and chairman of the Steel Workers Organizing Committee, the soft-spoken Scot is commonly regarded as the one man of sufficient eminence to unseat John Lewis in the C.I.O. and take over the U.M.W. if he is willing to challenge the leader. Murray is reported bewildered by Lewis's recent actions. As a Pennsylvania delegate to the forthcoming Democratic National Convention in Chicago, he leads the movement in Pittsburgh to draft Roosevelt for a third term. A lifetime of close association with and loyalty to Lewis will make Murray hesitate for a long time, but it is generally believed that Murray will fight if he becomes convinced that Lewis is no longer serving the best interests of organized labor. If he does go to the mat, he can be sure of the support of every C.I.O. affiliate whose political orientation is not left of center. These include the powerful units in steel, clothing, textiles, rubber, auto, wholesale and retail trade. Trade union gossip has it that Murray could count on the support of these unions in part because they feel that Lewis has unwittingly been used as a tool by the leftist union leaders to advance the Communist doctrine of isolationism by striking at Roosevelt.

In the meantime Sidney Hillman, a close collaborator of Murray, is working out his own practical formula for peace between C.I.O. and A.F.L. This week he called in R. J. Thomas, president of C.I.O.'s Auto Workers Union, and Harvey Brown, head of the A.F.L. Machinists. The leaders set spheres of influence, promised no jurisdictional rows.



# A DREAM COMES TRUE!

WITH EFFICIENT,  
ECONOMICAL COAL  
**DETROIT EDISON**  
MAKES ONE POUND  
DO THE WORK  
OF *THREE!*

● Improvement in power plant efficiency—indicative of what can be done today with COAL—made it possible for The Detroit Edison Company during 1939 to generate each kilowatt-hour of net output with less than  $\frac{1}{3}$  as much coal as was required 30 years ago. This great achievement is a tribute to their engineers—and also a tribute to the modern efficiency of our most dependable fuel—coal.

During 1939, Detroit Edison used 1,416,622 tons of bituminous coal from mines in Kentucky, Virginia and West Virginia—"The Coal Bin of America." From this

region comes coal for every need—with one of the world's best-equipped railway systems available to bring it to you.

"The Coal Bin of America" is served by Chesapeake and Ohio Lines, largest originating carrier of bituminous coal in the country. When it comes to coal, our main job is providing dependable delivery from mines to users. But our Fuel Service Engineers are also at your service—to help you get the particular coal you need, prepared to your order.

For information and assistance with fuel problems, write **GEORGE H. REINBRECHT**, Coal Traffic Manager, Chesapeake and Ohio Lines, 2907 Terminal Tower, Cleveland, Ohio.



## CHESAPEAKE AND OHIO LINES



## Mallory Helps History Repeat Itself

From bustles to bustle might aptly describe the half century span between the gay nineties and the bustling forties. Yet, paradoxically enough, the same era that marks the period of the world's greatest industrial progress... turns to an earlier page... and bicycles are back.

In this affable field of modern transportation, welding tips of Mallory Metals have made the same important, progressive contributions as they have in the more serious fields of automobiles, planes, trains, and even trolley cars. Mallory has contributed much to the art of permanently joining similar and dissimilar metals more economically. If the manufacture of your products involves such a problem, an inquiry addressed to Mallory might easily prove to be the beginning of a profitable solution.

**P. R. MALLORY & CO., Inc.**  
INDIANAPOLIS INDIANA

Cable Address—Felmollo

**MALLORY**

PARTS FOR AUTOMOTIVE, RADIO,  
ELECTRICAL AND INDUSTRIAL FIELDS



**DON'T** let this unseen force slow up your workers and sap their energy. Body salt lost through sweat must be replaced, or efficiency is lowered. The small cost of providing salt tablets brings big returns in better production and more contented workers. Write for folder: "Heat Fag Among Workers."

**MORTON'S MODERN  
SANITARY  
DISPENSER**  
Delivers  
tablets one  
at a time.  
Morton's  
Salt Tablets  
are made of the most highly  
refined salt, pressed into  
convenient tablet form.  
Dissolves in less than 50  
seconds after swallowing.

**MORTON'S  
SALT TABLETS**

500 Tablet Capacity, **\$3.25**  
1000 Tablet Capacity, **\$4.00**  
Case of 9000 10-grain salt tablets, **\$2.60**

**MORTON SALT CO.**  
CHICAGO, ILLINOIS

## A Broadway Record

"Pins and Needles" ends its run with 1105th performance after grossing \$1,042,145.

SINGING OUT its last crack at reaction, its last jest at the open shop, "Pins and Needles," the prickly musical revue, played its 1105th New York performance last month and ended its Broadway career.

Produced by the International Ladies' Garment Workers' Union, and acted by a cast which came directly out of the garment shops, the revue proved to be as strange a phenomenon as ever hit the show business.

The run grossed \$1,042,145.91 at the box office, with more than \$330,000 earned by a 1938 road tour, and played to over 1,000,000 people. With a total investment by the union of less than \$50,000, the I.L.G.W.U. figures that in goodwill and actual profit (better than 10% of the gross) it hit the jackpot.

Veteran Broadway producers were not surprised at the longevity of "Pins and Needles," for the show never went stale, being thoroughly revised three times to keep pace with the changing times. As the union's position on international affairs shifted from isolation to all possible help for the Allies, the song "Stay Out, Uncle Sammy" was deleted; as J. Edgar Hoover began to make the front page, a sarcastic number called "I Want to be a G-Man" was added. Latest addition was a spicy burlesque of New York's Bertrand Russell case. Its hit songs, "Sunday in the Park," "It's Better with a Union Man," and "Mene, Mene, Tekel" were good enough to be played by the top bands all over the country.

The show will make another road tour before its cast of 60 go back to their sewing machines—or begin to line up at casting offices.

## Job Contract Tested

If NLRB gains point, a strike does not provide a legal loophole to void wage terms.

JAHN & OLLIER Engraving Co. parted ways with the Chicago Photo Engravers' union 35 years ago, has since had no union contract. In an industry notorious for spasmodic layoffs, J. & O. guarantees 52 minimum 30-hour weeks, gives a week's vacation with pay, and free insurance. In 1939, its 120 engravers averaged 37½ hours a week, drew \$3,208 in wages and bonus for the year—which is a lot better than most union members did. Also, J. & O. men saved paying about \$375 apiece for annual dues and assessments to the union.

After an intensive organizing drive in 1938, the union lost a J. & O. plant elec-

tion by 3 to 2 and promptly protested to the National Labor Relations Board that workers had been coerced. One almost incidental point of the union's complaint concerned two-year employment contracts which the company had offered to all employees for their signatures shortly before the election.

The contract provides a bonus of 5% on the first \$3,000 of an employee's salary, out of company earnings. Then shareholders take \$3.50 a share. Anything beyond this is split two to one between stockholders and workers. What irked the union was a proviso that the company might cancel the contracts in case of several stipulated contingencies which net down to "strikes, fires, and acts of God."

## Coercion, Says Board

Last week the NLRB ordered J. & O. to cease attempting to enforce the contracts, "without prejudice, however, to the assertion by its employees of any rights they may have acquired under such contract." The important point—if the courts uphold it—is that though strikes constitute a legitimate loophole in any other type of contract, in a contract of employment their inclusion constitutes coercion by the employer.

NLRB staff members privately admit the decision may worsen J. & O. photo-engravers' incomes and working conditions if it eventually brings a closed union shop. As for immediate effect—all of the contracts expired July 1, 1940, two years from the date they were signed, and nine days after announcement of the NLRB decision.

## Women for Men's Jobs

IF A COMPULSORY military training program comes, many young men may be pulled out of their jobs to do time in the army. So reason the cooperative food stores, and they are worried about the prospect, for their clerks and managers are mainly young men.

So last week, the Council for Cooperative Business Training, which trains, and finds places for, its graduates in co-ops, decided to open its 12-week courses of study to women—"just in case."

Next class to be put through the Council's 12-week course—six weeks' internship in retail co-op stores, six weeks' instruction—will include 10 young women.

## Train Aviation Engineers

A PROGRAM, which it is believed will be widely copied, was announced last week by Lockheed Motor Corporation and the California Institute of Technology. They will jointly undertake the training of aviation engineers in a move designed to break a strategic labor bottleneck. The plan calls for the training of men with general engineering backgrounds in an intensive 16-week course at C.I.T. and

# crippled by searing caustic

**CORRECTED  
BY  
PREVENTIVE  
MAINTENANCE**

Drip! drip! drip! drip!

From dawn to dusk—during the silent watches of the night the biting, searing caustic solution ate away at the cocks controlling its flow. The cocks leaked—the piping was an unsightly mess—but what was worse, the dripping solution crippled valuable equipment below the pipe lines—upset plant operations.

The Crane salesman recognized instantly that here was a case where "Preventive Maintenance" would prove a profitable investment. "Let's take those cocks off the line," he suggested, "and replace them with Crane clamp gate valves. You'll find that they will hold tight and prevent further damage by seeping caustic solutions."



No. 488 Rising Stem, Wedge Disc Clamp Gate Valve

Too often major damage is caused by small troubles that could easily be corrected. Too often inefficient methods are continued because tradition dictates their continuance.

Your plant may not face the problem of handling corrosive liquids; but on your pipe lines, there may be many cases where the correct application of valves will reduce maintenance—guard against shutdowns—prevent power loss.

Check with your plant engineer, superintendent or the man responsible for piping maintenance in your plant. Preventive Maintenance applied by him to the trouble spots in your pipe lines would represent a saving to you. Crane Co. stands ready to assist in making specific recommendations.



# CRANE

CRANE CO., GENERAL OFFICES:  
836 S. MICHIGAN AVE., CHICAGO

VALVES • FITTINGS • PIPE  
PLUMBING • HEATING • PUMPS



in the Lockheed plant. Their expenses and "tuition" will be paid by Lockheed, they will receive a salary while training, and they will be guaranteed a job with the aircraft-maker when they graduate.

Dr. Robert A. Millikan, chairman of C.I.T., in describing the program said: "The men for whom this course has been set up are the type of men who are occupying responsible positions where they now are, and who have been desiring for years to get into the aviation business but have never been able to take the time to adapt their experience to the business."

### Guild Signs Hearst

THE AMERICAN NEWSPAPER GUILD (C.I.O.) announced this week that it had concluded six weeks of negotiation with the Hearst Newspaper chain, and the result was a "peace formula" that would be submitted to Hearst Guild units for ratification.

The formula, if accepted, would become the basis for the Guild's first contract with a national chain. It provides for a modified "Guild shop," which would require nine out of ten new employees to join the Guild as a condition of employment. Uniform severance pay schedules running up to 28 weeks' salary after 12½ years' service on any Hearst paper; death benefits on severance pay basis; time-and-a-half in cash for overtime; and the recognition of the Guild as the exclusive bargaining agency for all editorial employees would be embodied in a two-year contract with each of the 14 Hearst papers. It is generally acknowledged that the formula will be adopted.

### Tire Strike Ends

SETTLEMENT of the 11-week-old General Tire & Rubber Co. strike (BW—May 19'40,p.38) clears the rubber scene of labor trouble as the tire industry enters its major selling season. Concurrent with the ratification of a year's agreement by the United Rubber Workers' Union (C.I.O.), the company announced plans to erect a five-story plant addition in Akron—a development that heartens local business men who seek to stop the steady move of the industry out of the rubber capital and into towns with lower labor costs.

The dispute, the first since Goodyear's bloody ruckus in 1938, developed over a controversy on wage rates for tire builders making large truck and earthmover tires. About 80% of the plant's 1,200 employees were thrown out of work. Terms of the settlement, according to union officials, offer definite improvements, particularly in a clarification and strengthening of the machinery for settling grievances and in more liberal vacation schedules. Since General had a large inventory of tires, shipments to dealers continued despite the strike.

### Aging Ham in a Hurry

Curing job which used to require a year or two is done in seven weeks with TVA cabinet.

AGING HAM until it took on that authentic country-cured flavor used to take one to two years. Now the job can be done in seven weeks, to the satisfaction of the most critical epicure. Tennessee Valley Authority has turned the trick with an electric aging cabinet, science's successor to the old-time smokehouse, which is used after the ham has been salt-cured in a refrigerator.

Developed in cooperation with the agricultural extension services in the Tennessee Valley states, the cabinet is described as a simple box-like affair "insulated and equipped with a 200-watt electric bulb and thermostat connected by an extension cord and plugged into any service outlet." (Dimensions in inches are 24 x 30 x 48.)

The cabinets can be used individually (a single unit will accommodate about 15 hams) or set up in batteries. Insulation is obtained with an inch thickness of celotex, cork, or other material. The electric bulb, which provides the heating element, is installed in an 8-inch diameter of stove pipe mounted on legs in one end of the cabinet. The thermostat employed is of the ordinary chicken brooder type. Operating temperature: 110 degrees.

### Process Increases Value

Economics of the process, as explained by R. T. Allen, vocational teacher of LaFayette, Ga., boils down to this:

A recent experiment with 180 lb. of ham showed a shrinkage of 17 pounds, or 9½% in 41 days. (Smokehouse shrinkage over a two-year period often runs 20%.)

The hams that went into the cabinet



TVA develops a successor to the old smokehouse—an electric aging cabinet which cures hams in seven weeks.

## Members of the AGRICULTURAL PUBLISHERS ASSOCIATION

Sponsors of the advertisement on the opposite page, the fourth of a series dealing with the farm market and the relation of the farm press to it.

AMERICAN AGRICULTURIST  
*Ithaca, N. Y.*

AMERICAN POULTRY JOURNAL  
*Chicago, Illinois*

BREEDER'S GAZETTE  
*Chicago, Illinois*

CALIFORNIA CULTIVATOR  
*Los Angeles, Calif.*

CAPPER'S FARMER  
*Topeka, Kans.*

FARM JOURNAL & FARMER'S WIFE  
*Philadelphia, Pa.*

THE FARMER  
*St. Paul, Minn.*

FARMER'S GUIDE  
*Huntington, Ind.*

IDAHO FARMER  
*Boise, Idaho*

KANSAS FARMER  
*Topeka, Kans.*

MICHIGAN FARMER  
*Detroit, Mich.*

MISSOURI RURALIST  
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MONTANA FARMER  
*Great Falls, Mont.*

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*Lincoln, Nebr.*

NEW ENGLAND HOMESTEAD  
*Springfield, Mass.*

OHIO FARMER  
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OREGON FARMER  
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PENNSYLVANIA FARMER  
*Pittsburgh, Pa.*

POULTRY TRIBUNE  
*Mount Morris, Ill.*

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*Chicago, Illinois*

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*Nashville, Tenn.*

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SUCCESSFUL FARMING  
*Des Moines, Iowa*

UTAH FARMER  
*Salt Lake City, Utah*

WASHINGTON FARMER  
*Spokane, Wash.*

WESTERN FARM LIFE  
*Denver, Colo.*

**C** This year farm families are spending 1 billion 250 million dollars for food



July by Dale Nichols

## Why are farm publications more effective for farm selling?

Read a farm publication and you'll find the answer right in its pages. It is edited specifically for farm people, with no dilution of its farm-family appeal in order to reach a general readership.

That is not to imply the farmer enjoys no other reading. He certainly does. But nowhere else does he obtain what he gets from his

farm periodical, namely, specialized, authoritative, practical help in the two most important things he and his family do—working and living.

It is the farm family's business paper—and every member is a partner in the business. It brings the news of better farm practices, of new developments in plant and animal breeding—the things that

help the farmer make more money. In the same way it shows the way to better, more enjoyable living.

No other medium available for your advertising has the same comprehension of farm needs; makes a comparable provision to supply them; or offers such direct influence with the entire farm family. The farm press is the direct route to farm sales.

### AGRICULTURAL PUBLISHERS ASSOCIATION

MEMBERSHIP COMPOSED OF NATIONAL, SECTIONAL, STATE AND SPECIALTY FARM PUBLICATIONS

were selling at 18¢ a lb. The hams that came out commanded 30¢ a lb. In other words, the value of the lot increased from \$32.40 to \$48.90.

Electricity used for the experiment amounted to 101 kw.-hr., which cost \$2.02. After deducting this bill, the increase in value of the ham was \$14.48 or about 45%.

Loran N. Baker of Knoxville, associate agricultural economist in TVA's Commerce Department, reports that dozens of the cabinets are to be privately built in the near future, and that a number of manufacturers are becoming interested. First private firm to make blueprints of the cabinet is Coleman Bros., Maryville, Tenn.

Cabinets used in the experiments cost \$20 plus the labor.

Developers of the process hope it can also be used in aging a superior quality of bacon and sausage.

### Tunneling to a Boom

SOMETIME after 1945 Colorado can count on a special mining boom, because by then a 13-mile long water tunnel under the continental divide will have been completed. It will not only irrigate a thirsty eastern slope, but is also expected to stimulate mining on the other side of the mountains, where power plants which will have plenty of electricity to sell are being built in connection with the project.

### For Looking-Glass Readers

MOST OF THE SODA FOUNTAIN lunchers seem to take it for granted, but it was a bright idea by an unsung inventor in the display department of the Whelan drug-store chain to print a few of the daily specials signs in reverse, so they would reflect right-side-to in the big mirrors back of the counters.



The designer of the electric aging cabinet, Loran N. Baker, a TVA associate agricultural economist, is shown here speaking recently outside the new walk-in community refrigerator at White Pine, Tenn.

## NEW PRODUCTS

### Ladder Shoe

THERE ARE two drawbacks to working on a ladder—danger of slipping and foot fatigue caused by standing on round ladder rungs. The new Lad-R-Shu, developed by Landon P. Smith, Inc., Irvington, N. J., eliminates both. It consists of a rubber-faced steel plate to be strapped firmly against a shoe sole. A grooved arch in the plate grips a ladder rung.

### "Mechanical Stevedore"

DESCRIBED as "a mechanical stevedore that can be wheeled into place and put to work on a moment's notice," the new



Rapid Power-Booster comes from Rapids-Standard Co., 535 Bond Ave., N. W., Grand Rapids, Mich., in three sizes. Height of center is adjusted hydraulically; incline angle, by hand-screw. Since the machine's belt is reversible, it may be used for loading or unloading, stacking or unstacking.

### Silica Remover

SILICA DEPOSITS, particularly in modern, high-temperature boiler installations, cause tube failures, reduce turbine output, are difficult to remove. In the course of their work as chemical engineers, W. H. & L. D. Betz, 235 W. Wyoming Ave., Philadelphia, have developed a new "Adsorption Process" for removing silica from water before it gets into the boiler. The process utilizes small quantities of Remosil, a specially prepared magnesium oxide, "reducing rather than increasing the total solids in the water."

### Waterproof Tape

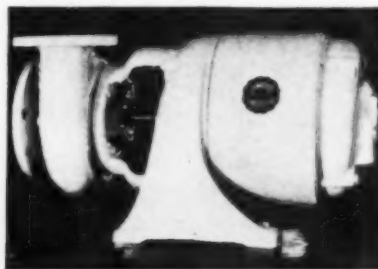
CELLULOSE acetate and a non-drying synthetic resin cement are the basic materials in the new Stictuit Transparent Cellulose Mending Tape. Peters Bros. Rubber Co., 160 John St., Brooklyn, makes it in all standard sizes for all dispensers, claims it is waterproof, grease-proof, non-shrinking, non-discoloring.

### Fan-Type Heater

WHEN MORNINGS are cold in office or home, an inbuilt "air rotor" in the new Driven-Aire Oil Burning Space Heater speeds the circulation of warm air. Florence Stove Co., Gardner, Mass., makes it in one size, 41½ x 31½ x 31 in., but two capacities, and adds a large rust-proof porcelain enamel humidifier pan. No flue connections are necessary.

### Pyramidal Base Motor

TO GUARD against misalignment which sometimes develops when a pump or



other mechanism is direct-connected to a motor with standard base, U. S. Electrical Motors, Inc., Los Angeles, is bringing out the new U. S. Pyramidal Base Motor. If desired, a single shaft may be used for both motor and mechanism. Two large ball bearings handle both radial and thrust loads.

### Photolamp Calculator

FOR DETERMINING correct photographic exposures when either photoflash or photoflood lamps are used, Westinghouse Lamp Division, Bloomfield, N. J., has printed an inexpensive new Photolamp Exposure Calculator. It can be used for any kind of photography with any film.





BUSINESS WEEK REPORTS TO EXECUTIVES ON

## REBUILDING THE CITIES

Every American city of 6,000,000 or 6,000 population shows symptoms of dry rot at its core. Its central district has been losing residents, retail sales, and manufacturing to outlying areas. In the wake of the migration have come demolitions, parking lots, slums, and other changes in urban land use that shrink taxable valuations and pile up tax delinquencies. Institutional mortgage investors have blacked out great central city areas in which mortgage loans will not be made in future because of progressively declining values.

Decentralization hits not only city treasuries. Thousands of people who have never laid eyes on a town may lose money because its internal degeneration depresses the worth of local securities and of real estate owned by such savings pools as insurance companies and banks.

The urban land policy of American cities has been defined as consisting of three successive steps: speculative exploitation, gradual neglect, and eventual abandonment. But within recent months the need for urban rehabilitation has been aggressively agitated by awakened business interests. Consequence of the growing interest has been a handful of developments which may eventually prove to be the first straws in a new wind. This report tells why they are of vital importance to business.

*This is one of a series of special reports on current business opportunities, problems and trends of out-*

*standing significance. Covered under the general copyright on the July 6, 1940, issue of Business Week*

A MCGRAW-HILL



PUBLICATION

## Rebuilding the Cities

THE GREATEST PROBLEM facing the American cities of 1940, and all who live in them, is based upon a mathematical formula that most of their citizens learned in seventh grade: The area of a circle equals  $\pi r^2$ .

Prior to 1870 the run-of-mine city dweller had to get about on his own two legs, and the richest man in town could achieve nothing more destructive of the distance between home and office than a spanking team and carriage. This transportation had since the days of Babylon limited the effective radius of a city to about two miles, which our seventh-grade formula translates into an effective area of  $12\frac{1}{2}$  sq.mi. Cities then grew slowly. In 1870 the United States had only three cities of greater than 300,000 population: New York, Philadelphia, St. Louis. Only 26.2% of the nation's 38,558,000 people were urban dwellers.

But the street car had been invented, and it spread like wildfire. It speeded up living for the tophatted boss and his gunny-aproned trucker. It lengthened the effective radius of a city to five miles, which multiplies out to an effective area of 78 sq.mi. Industry began to concentrate

in big-city factories, which drew from the farms and from Northern Europe the population to man their machines and to fill the subdivisions which sprang up beyond the older districts. For 40 years after 1870 the United States saw the greatest blooming of cities in all the history of the world. By 1910 the country had 18 cities above 300,000, and 45.8% of the nation's 91,972,000 people lived in towns.

The era ends at 1910 because a rich man's plaything was on the verge of becoming a universal utility, and because the population trend which had driven the cities to rapid growth was about to reverse itself. The automobile had in its earlier years cost too much to buy and run, and had been too undependable, to affect the living and daily travel habits of the burghers. But it gained year by year in economy, speed, trustworthiness, and numbers. By 1930 the nation was equipped with high-powered cheap passenger automobiles, and the effective radius of the city had once more been pushed back, this time to at least 15 miles. Square 15 and multiply it by 3.1416. The answer is 706 sq.mi., an effective area large enough to



Cleveland's Whiskey Island slum has been practically wiped out by the Public Works Administration's \$3,-800,000 Lakeview Terrace, a low-rental project. But

can public funds meet all costs of arresting the decay of downtown areas that results when families and business move away and the slums move in?

encompass ten big cities of 1910—or sixty big cities of 1870.

Everyone but the student of vital statistics can be surprised by the demonstrable fact that no big city population has ever bred enough children to perpetuate itself. Always the American cities have drawn their replacements from Europe and from the farms. But immigration dwindled from 1915, is now legislated down to a trickle. The national birthrate turned downward at about the same time as immigration ceased—turned downward on the farms as well as in the cities. With the end of the boom of the 'Twenties the cities slowed their rates of growth, even lost population in 1933 and again in 1938—temporary losses, but unprecedented in all the years since the continent was colonized.

That the cities have, as a group, reached maturity and that they have probably reached their peak of population is a view shared by students regardless of differing political and social outlooks. And this cessation of growth has arrived, by great bad luck, just when their areas fit for convenient living have been multiplied tenfold.

What this has done to the cities may be comprehended *in parvo* by considering the householder who buys the lot next door and incorporates it into his lawns and gardens. Putting the new real estate in shape costs him a sizeable investment, and thereafter he has to spend more money and more effort on his establishment than before he doubled its size.

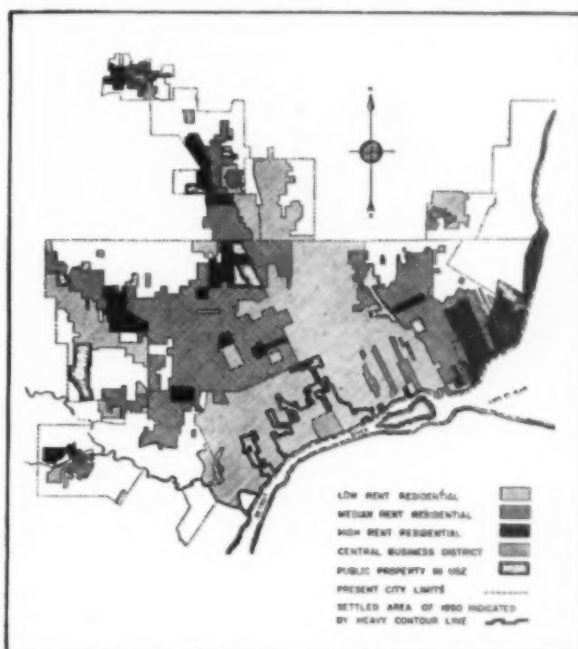
So it is with the typical American city. The span of a street-car ride had constricted its dwellers and businesses and industries in congested areas, many of them in buildings that were wearing out. Then the automobile demolished this age-long transit wall and released the inhabitants from confinement. Those who were not satisfactorily housed but economically able rushed outward from the central districts. Behind them, they left a belt surrounding the downtown area with vacant dwellings and stores and factories, and inhabited largely by the families of the economically inept who require outside help merely to survive.

### The Price of Abandonment

In the wake of this movement come demolitions, parking lots, and other changes of land use that shrink taxable valuations and pile up tax delinquencies. Into these semi-abandoned areas drifted the very poor who must have relief. But the city must still repair paved streets through these districts, patrol them, and put out their fires. It must keep up their schools, their parks, and their water mains, while at the same time extending similar governmental services to the districts on the periphery to which the former downtowners have moved. And if, as in many cities, these newer districts are in suburbs and hence beyond the reach of the municipality's taxation, so much the worse for the city from which the suburbs are sprung.

Every American city of 6,000,000 or 6,000 population shows symptoms of identical dry rot at its core. Its tax rates rise, its old-section business takes a beating, its

### What 50 Years Have Done to Detroit



Federal Housing Administration

*This map of Detroit is a startling picture of what's happened to city limits as well as to rental areas since 1890. The settled area of 50 years ago is enclosed by the heavy contour line; present city limits are shown within the dotted line. Notice that what was inside the 1890 city limits—a good part of which was high rent district at that time—is now the heart of the largest low rent district, which includes the slums.*

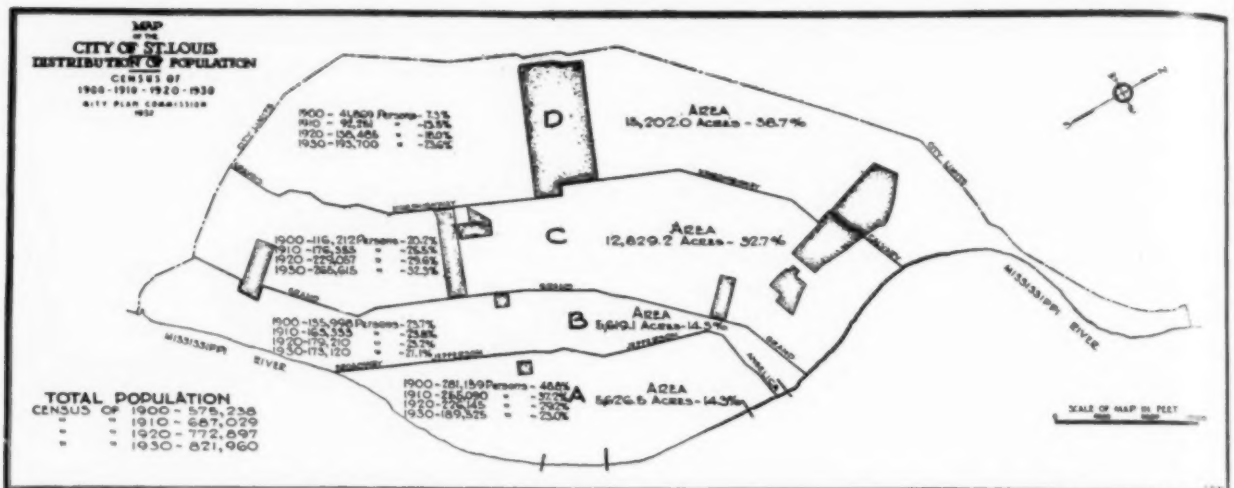
low-income citizens live under ever-worse conditions in slums whence economic hope has fled and whither the landlord no longer sends good money after bad.

And not one of the 1,833 American cities of 5,000 or greater population has yet proved in actual experience that it can halt the decay and begin a successful process of filling the cavity at its heart.

Decentralization hits not only a city's treasury but also every other urban activity. Moreover, thousands of people who have never laid eyes on the town may lose money because its internal degeneration depresses the worth of local securities and real estate owned by such central savings pools as insurance companies and banks.

Appraisers in 200 cities recently reported to the National Association of Real Estate Boards how decentralization makes itself felt in their communities. The high points can be told in two paragraphs. During the past decade central business districts have lost as much as 25% of their gross volume of retail sales, which have been redistributed to neighborhood centers. Downtown merchants have had to boost their expenses by establishing outlying branches to follow the migration of their customers. Skyscrapers have 20% of their space vacant,





About 100,000 people have moved out of the area east of Grand Ave. in St. Louis (Areas A and B) since 1910, and what worries city planners is that the exodus is increasing with each succeeding census. This trend is

shown in the small area figures on the map. Expectations are that the 1940 census will show that ever more and more families are moving out of what once was the center of town to the suburbs.

while businesses in search of lower rents move away from the center of activity.

Many fine old residential areas are being gradually abandoned to lower-type tenancies as their owners shift to the suburbs. The residential, commercial, and industrial migration has left nearly one-third of the privately owned land within the corporate limits of our cities in the form of vacant lots for which any future use or development seems problematical. Most of this vacant property is eventually destined via tax sales for ownership by government units already puzzled about what they can do with it. Finally, "institutional mortgage investors have blacked out great areas in both the central business districts and the close-in district in which mortgage loans will not be made in the future because of progressively declining values, thus making more difficult any possible recovery."

#### Los Angeles: a Case in Point

Lest this be considered an unduly pessimistic view, examine the bill of particulars drawn up by the local expert who reported to the N.A.R.E.B. on Los Angeles. This checks point for point with the nation-wide summary. The latest U. S. Census figures available show the downtown percentage of Los Angeles retail sales shrank from 43.2% in 1929 to 33.7% in 1935. Meanwhile, Hollywood's share rose from 9.9% to 11.9%; Wilshire's from 5.3% to 9.2%; Westwood's from 0.2% to 0.8%. Of the major downtown stores, Bullock's has branches on Wilshire Boulevard and in Westwood; The May Co. has a new store 6½ miles out on Wilshire; The Broadway opened a store in Hollywood, recently added to it; Magnin's and Coulter's and Saks-Fifth Ave. have a store apiece in the outlying districts. Sears, Roebuck & Co. reputedly does \$25,000,000 annually in five stores,

none of them downtown. Office building occupancy is around 81%, with rents too low to meet expenses.

Of the 75,611 new family residential units built in Los Angeles during 1930-39, only a negligible number are within three miles of the central business district, a moderate number between three and five miles. The bulk of the new construction has been between five and ten miles out, and a good deal of it still farther. Doctors and dentists are clustering in a new medical hotspot away from downtown. Automotive sales rooms and repair garages are moving out. With five first-run movies downtown, it is doubtful whether any more will be built there.

#### St. Louis Faces the Problem

Or consider St. Louis. In October, 1936, the City Plan Commission completed a study of the decentralization problems of the city, then boiled its findings into a report brief and breezy enough for the man on the street. St. Louis has 62½ sq.mi. within its city limits, is ringed by suburbs. Between 1910 and 1920 its decentralization was shown by a population loss covering 13% of the city's area. But in 1920-30, 26% of the city's area lost population. And the 1940 census will show population dwindling over a considerably greater proportion of total area.

In 1936 a survey of the older districts showed 22% vacancy in dwelling accommodations, with one-third of the residents hoping to move out soon. In the real slum areas, residential vacancy during the past decade has ranged from 25% in times of general prosperity (people move to better housing) to 3% in depression years. The total area having more than 80 persons per gross acre shrank sharply in 1910-20, by 1930 had practically disappeared. Meanwhile the total area having 20-60 per-

sons increased steadily, indicating that 20-60 has economic justification which greater population density lacks.

The same body investigated the 1935-36 total taxes levied, taxes paid, and the cost of municipal services furnished in several types of districts. It found that taxes levied in slum areas equal about 40% of the cost of services furnished, with the proportion further distorted by tax delinquencies of 25%-40%. In higher value residential districts the ratio of tax levies to cost of services runs as high as 200%, with tax delinquencies 2%-5%. The central downtown business district pays in taxes 250% of the cost of its municipal services, while industrial areas generally pay taxes somewhat more than the cost of services received.

### **The Rest Pay Higher Taxes**

Clearly, as population decentralizes and business follows population, the tax burden will increase for those residence and commercial districts which remain. And the higher the tax burden, the greater the number of building demolitions which will follow. The Plan Commission of St. Louis draws a conclusion which fits just as snugly on any American city:

"These conditions can be changed only by some genuine economic rehabilitations of the older residential areas."

Paradoxically, zoning laws are often a major hindrance to bringing back real estate values in old residential sections. Not because the areas are zoned, but because they are zoned for purposes that they can never fulfill. In the street-car era, cities grew from their centers, engulfed close-in residential areas for business and factory and apartment districts. Owners of homesteads in the line of urban growth made tidy profits thereby.

When zoning laws were drawn, the drafters and the property owners generally took this pattern for granted as that which would be followed by their cities for all time to come. Hence the laws were framed permitting these lower-class—but higher-value—uses of all land that seemed remotely adapted to them.

Meanwhile, of course, the automobile and the motor truck upset all precedents. Low-cost land, often outside city limits and on belt railways that by-pass congested city terminals, is now most desired for factory use. Migration of shoppers has halted the expansion of downtown retail centers. Big-city growth has slowed down. Even by the old standards, many areas zoned for lower-class uses were excessive, over-optimistically discounting all

probabilities of growth for decades. In the light of the modern changes, they are ridiculously oversize.

The St. Louis study turned up statistics which Harland Bartholomew, who made the research, has found typical in direction if not exactly duplicated in percentages in dozens of cities between 8,000 and 300,000 population where he has studied zoning laws in their relation to actual and potential uses of urban land. In St. Louis commercial areas are 94% overzoned, anticipating 75% more population than can ever be expected. Residential zoning here anticipates 517,000 people while commercial zoning anticipates 1,595,000. Apartments areas are 149% overzoned; building on these areas to the current density of apartment house sections would provide housing for more than the 1930 population of the entire city, and building on them to maximum legal height and density would accommodate more than 2,000,000. Industrial areas are overzoned 138%.

Nobody in his right mind will build a new home, or probably even keep up more than minimum repairs on his old home, where a filling station or a factory or a towering apartment house may be placed next door. Just as soon as he can find a buyer, or when his dwelling becomes too ramshackle for cheap repairs, the householder has every incentive to take his loss, pull up stakes, and move to a place where nuisance neighbors cannot crowd him. In brief, excessive zoning for lower-class uses brings blight to the total area overzoned.

Also, zoning in too many cities is not stable against political pull. It is ordinarily simple for anyone who knows the alderman to get a special zoning amendment allowing him an exemption to the restrictions imposed



*This isn't "somewhere in France"; it's downtown in St. Louis, a dramatic example of what's actually happening because of the trends shown in cold figures on the map at the top of the page opposite. Once this was the city's major business district, but St. Louis' vast fur industry has moved west, north, and south. So now this pile of wreckage and rubbish represents one of the country's largest clearance projects. Eventually, it will be a huge public park under the direction of the National Park Service.*



Wide World

*Department stores have had to follow their customers out to suburban areas to keep up their sales. Franklin Simon & Co. of New York, for example, has just opened a new branch in East Orange, N. J. It also maintains a suburban store in Greenwich, Conn.*

upon his neighbors. In Chicago, for example, the zoning ordinance has been amended 11,000 times in the past 18 years—and 99% of these amendments were downward. Chicago, incidentally, has 34 sq.mi. zoned for skyscraper apartments, sufficient to house 42,000,000 people.

Evanston, Ill., a Chicago suburb of 63,000 population, recently undertook to squeeze the water out of its zoning. It reduced by 20% the land zoned for commercial purposes, and by 50% the land zoned for multiple dwellings. At the same time it increased the minimum size of building lots from 4,300 sq.ft. to 7,200 sq.ft. in the "A" zone and to 5,000 sq.ft. in the "B" zone. Other shifts create a new district where two-family and row houses may be built, and require that apartment buildings, row houses, and theaters provide off-street parking facilities in the ratio of one parking space for each two dwelling units or each ten theater seats. Des Moines, Los Angeles, New York, and Portland, Ore., are also in process of bringing their zoning laws into closer touch with reality.

Some students of the problem, including many full-time real estate men, believe that the difficulties now piling up for our cities arise largely because the random push-pull of real estate speculation and high-pressure selling has been the guiding force in urban growth. Also, that until some form of intelligent planning is imposed by law, it will be almost impossible to rehabilitate the run-down districts. Uncontrolled subdividing of the accepted American kind is unknown in most European cities. The basic rule there has long been to permit adding new residential area only if it adjoins a built-up section, and then only upon adequate guaranties that dwellings are to be erected at once on more than half of the new lots. Thus is prevented the costly practice of extending municipal and corporate utilities past vacant acreage to reach a development still more remote—a practice which in some American cities has resulted in half

as many vacant lots on the periphery as there are occupied lots in built-up sections. European city planners think in terms of a population density of 20 families to the acre as a minimum urban standard. This density prevails in most large American cities, if it were possible to exclude their blighted districts, and can be restored to these areas under adequate regulation of a constructive urban land policy.

A constructive land policy controls growth in the interests of the entire community, and assures a density of population adequate to support public services at a reasonable per-capita charge. The resultant reduction in *ad valorem* taxation withdraws a major incentive for moving outside the city limits to a suburban site.

Most people who have really looked into the problem agree that before the rehabilitation of blighted central areas can be undertaken with any real expectation of uniform success, major changes in city, state, and federal laws must be accomplished. In some states, constitutional provisions especially as to taxation stand squarely in the way, blocking off important remedial action until and unless amendments are adopted.

One close student, who in his daily work as a successful real estate man lives with the problems of decentralization, has during the past five years compiled a list of more than two dozen legislative and constitutional steps which he considers essential to reversing the centrifugal force of the cities. In politics a conservative, he believes that within the next ten years the lawmakers will adopt these ideas step by step as they come face to face with the social and economic crises which, by then, will have made themselves unmistakable to a majority of the nation's citizens. Meanwhile, he guards his itemized list as a dreadful secret, because he is convinced that if now it were attributed to him he would be drummed out of business as a visionary, out of his clubs and trade associations as a wild-eyed radical.

### *Accepting the Inevitable*

The urban land policy of American cities has been defined as consisting of three successive steps: speculative exploitation, gradual neglect, and eventual abandonment. To the extent that our laws take notice of this trend, they predominantly accept it as inevitable. In effect, various governing bodies hasten the onslaughts of blight. Then, when neglect reaches a stage beyond the capacity of the human animal for survival in such surroundings, health officers and building inspectors actually decree abandonment or demolition.

Even the federal agencies which touch upon housing as a social and economic factor have seemed resigned to the internal decay of the cities. The United States Housing Authority, set up to clear slums and foster low-cost housing, has for many of its projects fled the built-up neighborhoods for the less expensive sanctuary of the outskirts. The Federal Housing Administration, cautiously blacking out as ineligible for federal mortgage insurance old urban areas of which approximately 50% of Detroit and 33% of Chicago are typical propor-



tions, has extended its principal blessing to brand-new subdivisions on urban peripheries. And at Washington, F.H.A. has developed a room full of "block maps," which show the character of land tenancy and structure of each city block in 150 American cities.

Within recent months, however, the need for urban rehabilitation has been aggressively agitated by real estate and construction interests. Until perhaps five years ago the problems of decentralization went undetected by almost all but specialists in urban planning. Since then the number of individuals and organizations aware of the danger has multiplied. Today there is an amount of "Wake up, America" publicity intensively circulated among business groups which the breaking down of urban structure directly affects. Both the National Association of Real Estate Boards and the Chamber of Commerce of the U. S. have, for example, been constructive alarmists. And some of the large trustee institutions have shown themselves alert to the general problem as well as to their specific problems as urban mortgage investors.

Consequence of the growing interest has been a handful of developments which may eventually prove to be the first straws in a new wind. All of these straws are blowing in the direction of city reconstruction and modernization.

#### *A Private Clean-up*

Probably the most spectacular example that has been available to show the possibilities of remaking the slums has been the method developed by Arthur W. Binns of Philadelphia (*BH—Dec 9 '39, p.32*). In the face of general doubt about whether his ideas were practical, and handicapped in consequence by a comparatively high rate for mortgage money, Binns has been buying units of dilapidated housing. Some of these are flats, some are row houses. Some are in blighted districts, some in slums.

These old dwellings he has cleaned up, modernized, and rented out at rates low enough to attract tenants from the "ill-housed one-third," but high enough to yield

him a net profit on the transaction. Toward the end of 1939 the FHA decided that its authority is broad enough to permit insuring mortgages for such slum-betterment projects, gave Binns-type remodeling its official approval by insuring a \$23,000 mortgage for Binns. Thus a federal unit threw its weight into pulling back population to central areas where the fixed investment in municipal and public utility services has already been made and now needs productive employment.

#### *Tends to Be Spotty*

Weakness of the Binns method, as of every other device for rehabilitation of blighted areas by private initiative, is that it tends to be spotty. The independent operator naturally buys where he can get a few old structures at a low price. After he cleans up that mess, his opportunistic requirements may put him into an entirely different section of town for his next job. Improvements thus scattered cannot constitute as much of a bulwark against further blight as would the same volume of improvements concentrated in a smaller area.

Many authorities in the real estate and construction industries believe that the greatest opportunity for urban reclamation today is in rebuilding rather than in new structures. Studies show that a rebuilding job takes approximately the same amount of labor as a new building, hence offers the equivalent volume of re-employment. The considerably smaller requirement for building materials makes modernization far less expensive. The N.A.R.E.B. estimates that a reasonable expectation is that three times as many rebuilding jobs as new construction jobs are possible in a year, and that the aggregate of building materials thus needed is greater than the materials likely to go into new structures. Moreover, say N.A.R.E.B. officials, rebuild jobs are what produce activity in the real estate market. And they are much more readily accomplished than projects on a pretentious scale.

Greatest obstacle in the way of large-scale slum clearance by private capital is the difficulty of acquiring sites.



*The largest city in the United States shows evidence of the centrifugal force that threatens the solvency and continuity of other cities. New York's old Hippo-*

*drome, at the left, used to be a famous palace of entertainment. Today, all that is left of it is a parking lot in the shadow of Rockefeller Center.*

*Cushing*

The classical example that comes up in almost every slum-clearance conversation is the Marshall Field Garden Apartments, erected some years ago on Chicago's North Side. The purpose was to show a way to replace slum housing with high-quality, low-rental housing which would be available to low-income tenants and still yield a fair return on invested funds.

All went well until, with the site almost assembled, owners of two small parcels needed for the site held out for high prices. This so raised costs and rents that, even though the owners have been satisfied with 2% return on investment, their typical tenants are not the former slum families but are white-collar families for whose offspring a private school is now operated on the grounds.

Preaching from this text, Illinois real estate men barely missed putting through the 1939 legislature a Public Service Housing Corporation Bill to authorize privately financed slum-clearance projects with the right to condemn land for sites approved by a state board. Under the more appetizing title of Urban Redevelopment Corporation Law, essentially the same bill was passed early in 1940 by the New York State Legislature but Gov. Lehman held that this particular bill—not the general plan—contained imperfections, and vetoed it. The measure will be reintroduced next session. It provided that, under public supervision, a redevelopment corporation might condemn the last 40% of an area after the first 60% had come into a slum clearance project.

#### **Premium on Convenience**

Sponsors of such bills sometimes take the position that tearing down old slums and replacing them with housing for people in the same low-income groups is not the answer. They say that close-in metropolitan housing carries a convenience value that is worth something to the higher-paid white-collar group which makes its living in downtown office buildings and stores, is worth very little to the lower-paid industrial workers who typically populate the urban blighted areas. Therefore, reason the advocates of the bill, the sensible use for close-in slum sites would be to build homes for the white-collar folks, as was done along the East River in Manhattan. Complementary idea is that, with industries moving more and more to the outskirts, the convenient place for industrial workers to live is out toward their places of employment. Some of the Chicago group talked of accepting an amendment to their bill providing that the same corporation must erect elsewhere a number of low-rent dwelling units equivalent to the number demolished in clearing a slum.

To find the trends affecting real property use and value, and eventually to provide an advisory service to aid cities in replanning and rebuilding, the National Association of Real Estate Boards is now sponsoring the independent, non-profit Urban Land Institute. The institute's credo is that in the field of decentralization "action with scope enough to ease the transition and prevent huge unnecessary losses will require coordinated effort of business groups, owners of residential property, and gov-

ernmental bodies." Its directors are big names in real estate, investments, and civic activities, and its consultants include many outstanding experts in the field. Dues-paying memberships are being actively solicited, and its sponsors believe that the institute holds promise of finding some practical approaches.

#### **Policy Recommendations**

As yet, the most constructive single job done in the field is doubtless that of the St. Louis planning survey. Its recommendations for an urban land policy might, with a few minor changes, apply to almost any city.

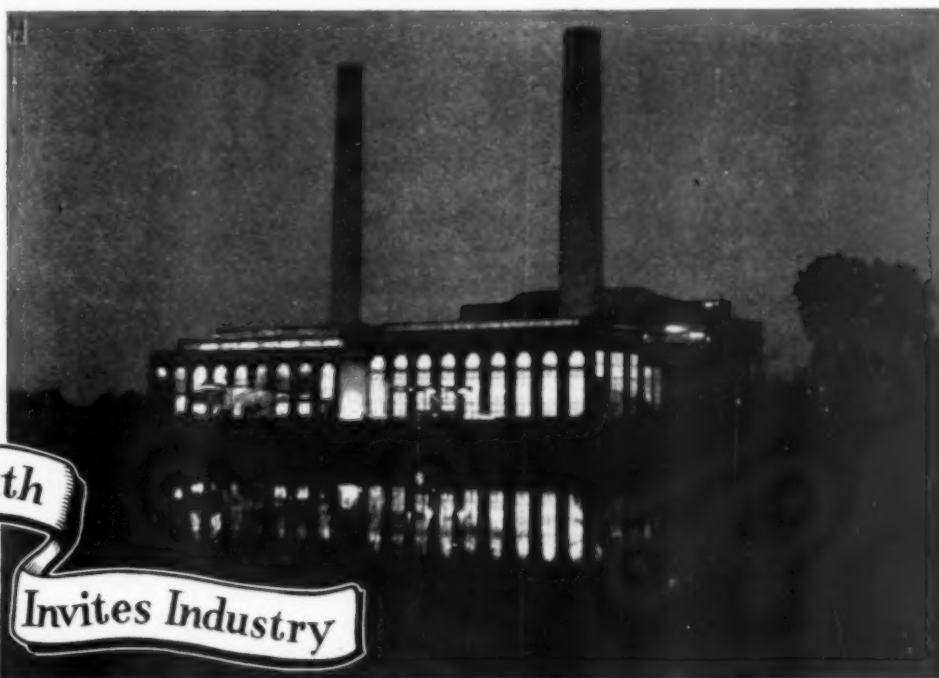
- (1) Revision of zoning regulations in scale with known laws of supply and demand for each different class of property use, and particularly for protection of residential development;
- (2) Strict enforcement of sanitary laws and fire laws to insure cleanliness in all classes of property;
- (3) Elimination of the smoke nuisance;
- (4) Enactment of a minimum housing standards ordinance providing among other things, regulations for room size and arrangement, number of persons per room, and extent of window space;
- (5) Repair and renovation of old buildings not altogether obsolete;
- (6) Removal of all obsolete structures which are unsafe or unfit for human occupancy;
- (7) Development of neighborhood units embracing all residential areas in the city for improvement of environment and the elimination of non-conforming uses;
- (8) Construction of several modern large-scale low-cost housing projects in the older sections of the city;
- (9) Continued maintenance of a high standard of building code regulations.

The Plan Commission closes its report: "Shall we gradually abandon St. Louis? This is the real question. It is inconceivable that we cannot adopt and enforce a constructive urban land policy of the type described in this report. Whether a great city such as St. Louis can meet this challenge is indeed a genuine test of modern social progress."

Every American city from Bangor to San Diego may well ask its citizens the same question. The longer they leave it unanswered, the nastier the problem that they must eventually face.

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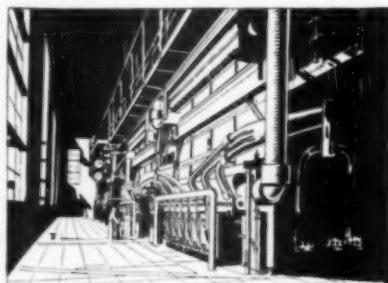
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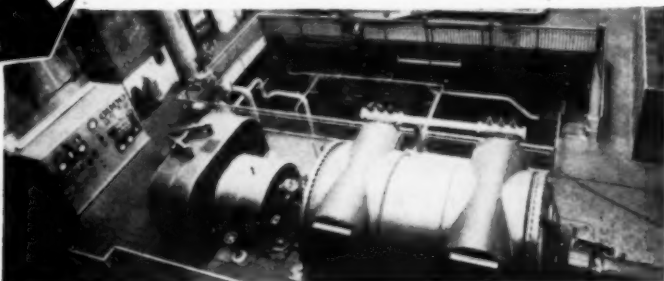
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## MARKETING

### Seeking Latin Goods

Retailers extend themselves to aid inter-American program, but encounter difficulties.

EVER SINCE LAST FALL U. S. retailers have been falling all over themselves in efforts to cooperate with the government and tighten the inter-American handclasp by buying more goods below the border. Such topnotchers in the trade as New York's R. H. Macy & Co., Inc., tried to sell Latin American goods on a volume basis even before the Department of Commerce began urging.

Now Kresge Department Stores Service Co.—buying subsidiary for the great Kresge chain—is about to take its fling at the good-neighbor policy. Kresge has formed the Block International Corp. as an associate company to develop merchandise in Latin America for mass distribution here. Also in view is buying by Kresge for South American merchants in U. S. markets—something which it already handles for the Argentine Tonsa chain. One shipment of alligator shoes, handbags, and accessories from Argentina has reached this country and is ready for distribution to retail outlets.

Most retailers believe privately that wholesale purchases of Latin American merchandise will have to wait on government credit and trade arrangements. Some think an arrangement for financing manufacturing enterprises jointly with U. S. and Latin American funds, plus governmental guarantees on both sides, might work out.

### Labor Has to Be Trained

Right now leading retailers are working together, with Saul Cohn, former National Retail Dry Goods Association president, taking the lead. One large European buying office currently is making a survey in Latin America which retailers hope will tell them what they can get and how fast they can get it. Brightest hope at present is that Argentina and Brazil may be able to replace the European glove and accessory market.

Biggest difficulty, aside from credits, is adapting Latin American labor to U. S. production standards. Labor, so far, has been best adapted to raw materials and handicrafts, not to volume manufacture of consumer goods. Best developed labor markets are those of Argentina, Brazil, and Chile. Chilean labor is cheapest, but not so well trained. Optimistic retailers believe that with an almost unlimited supply of raw materials and relatively low-priced labor some arrangement can be worked out—but they're still looking pretty far into the future.

## Grade-Labeled Hosiery

Five department stores in Newark, N. J., launch plan to check customers' reaction.

SHADES OF THE National Association of Hosiery Manufacturers' effort to gain industrywide acceptance of its set of grade-labeling standards (*BW—Mar 20 '37, p. 30*) have been revived in Newark, N. J., long an experimental laboratory for new ideas on meeting consumer demands. Five leading department stores — Bamberger's (subsidiary of New York City's R. H. Macy & Co., Inc.), B. Altman & Co., Hahne's, Hearn's, and Kresge's, Inc.—have launched a plan to label all hosiery with varying degrees of completeness. Present plan is to continue the experiment for three to six months, then check on the type of labeling consumers prefer—if any. So far, the plan has been in operation only a month and retailers say it's too soon to tell consumer reaction, but reports are that they're well satisfied.

N.A.H.M.'s grade labeling efforts started under the NRA aegis back in 1935. In 1937, a complete plan for marking all women's hose A, B, C, D, standard, substandard, irregular—with ramifications—was turned down by manufacturers on the grounds that it stressed minimum standards, and put no premium on superior quality. The association kept plugging away, however, and expects to have a new set of standards ready in about a year. And, although the association has no direct connection with the Newark experiment, chances are that it will influence the manufacturers' feelings about industrywide standards.

## Chickens by the Piece

TEN YEARS AGO, when the gyrations of radio stocks were making Wall Street history, William Grunow had ample opportunity for the exercise of his promotion talents in the Grigsby-Grunow Co., manufacturer of Majestic radios. Today, Mr. Grunow operates in a more restricted field: the development of a chain of stores to sell chickens—piece-meal. First three units were opened in Chicago last month.

His customers are lone individuals and two-member families, who aren't up to tackling a whole chicken at one sitting, although Grunow will sell them whole ones if they want them. Other customers are buyers for finicky families who won't touch anything but white breast meat or have to feed a flock of small boys who are strong on drumsticks.

There isn't anything new about selling chicken by the piece—some chain outlets and supermarkets have tried it in meat departments for several years, but Grunow's claim to distinction rests on the fact that his stores offer nothing but chicken. Grunow has plans to open up ten more Chicago stores.

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Arnold Genthe

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One of the two canneries chosen to cooperate in the U. S. Department of Agriculture's controlled experiment with grade labeling is Schuckl & Co., Inc., of San Francisco, Calif. Schuckl's new tomato-juice label is shown at the left; and at the right is the label now being used on

Rancho brand soups, produced by Schuckl's subsidiary, Sunnyvale Packing Co. Object of the experiment: to find out whether housewives will still be true to brand names in the face of competition from government-inspected, grade-labeled products.

## Canners Try Government Grading

**Two packers submit to continuous inspection, use A-B-C grades on labels. And the rest of the industry worries about the ambitious experiment.**

SEVERAL HUNDRED CASES of canned cherries and asparagus were rolling eastward this week from California. Outwardly they looked like any of the thousands of cases of canned fruits and vegetables that are moved to market continually by the Golden State's billion-dollar canning industry. But in each case there was an element of dynamite that has a large portion of the nation's canners distinctly jittery.

The dynamite: Labels carried U. S. government grades. The two large packers who produced the goods—N. Schuckl & Co., San Francisco, and U. S. Products Co., San Jose—have voluntarily submitted their 1940 output to continuous government inspection and grading. And A-B-C grading, long the number one plank in the platform of organized consumers, is still the number one bugaboo of many canners. Industry opposition stems principally from the canners whose wares are well advertised and who fear that grading would kill the value of brand names.

Twice, canners have fought off attempts to force them to adopt grade labeling. First, came the food and drug law—the so-called Tugwell bill—and no sooner had the canners sidetracked that threat than the NRA code authority, acting at the insistence of consumers and with the approval of the President, presented the industry with a demand for the use of A-B-C grades on all labels. Only NRA's death saved it that time.

Having twice escaped compulsory grading legislation, canners realize that the only real threat confronting them now is defection within their own ranks. Some small canners, specializing in "A" or fancy fruits and vegetables, were known to look on grading with a not unkindly eye. But, perhaps because of industry pressures of one kind or another, the packers who have given grading a whirl have been small in size and number, and the one really important convert has been a retail chain, A&P. Moreover, their grading has simply been done in accordance with government standards. In the experiment of Schuckl and U. S. Products the grading will be done under constant government control and inspection.

### Grading Enterprise Widens

The project is being handled from the government end by the Agricultural Marketing Service of the Department of Agriculture. Actually, the experiment started last year with a cherry co-op, Cherry Growers, Inc., of Traverse City, Mich. However, it is only getting going in earnest this year with the move to California. The cherry co-op handles only cherries. U. S. Products packs cherries, peaches, pears, fruits for salad and cocktails; Schuckl packs these fruits and also asparagus, tomatoes, and certain soups.

The Agricultural Marketing Service selected the two California packers—a third may be added to expand the line of graded vegetables—out of a half dozen

or so who wanted to undertake the work. Such things as sanitary plants, proper equipment, and eagerness to cooperate were taken into consideration in the selection. Also, some changes had to be made by the canners in their plants to meet A.M.S. requirements.

A.M.S. has ten inspectors in the plants. At least one inspector is present at all times when the plant is in operation, day or night. Inspectors' salaries and expenses, plus 15% for administrative overhead, are paid by the canners. This amounts to only a small fraction of a cent per can. The goods also are certified under the A.M.S. grades and grade certificates issued at the plants. All of the products except the soups, for which no standards have been promulgated by A.M.S., are being marketed under grade labels.

A sample label will bear the statement "U. S. Grade A (Fancy). These goods were packed under the constant inspection of the U. S. Department of Agriculture and this grade officially certified." Not all the products are grade A, of course; those grading B (choice) or C (standard) are so certified and labeled. The soups bear a label statement that they are "packed under continuous inspection of the Agricultural Marketing Service of the U. S. Department of Agriculture."

### Consumer Reaction Surveyed

The distribution of much of the graded goods will be through selected channels, both chain and independent. Names of selected distributors have not been announced yet, but it is reported that R. H. Macy, New York, is one of them. Macy's misses no chance to capitalize the consumer cause, and is planning an educational demonstration for the arrival of the first shipment. Certain state universities



will carry on, through their home economics, marketing, or similar departments, surveys to determine consumer reaction to the graded and labeled products. Ohio State will be one of the co-operating schools; others have not been selected. The idea is to have a supervised experiment from cannery to consumer to get facts which will help settle, once and for all, the grade labeling problem.

The two big factors in the Coast situation — California Packing Corp. and Libby, McNeill & Libby—have in the past been openly opposed to grade labeling. This week, the trade was speculating on just what effect their continuing opposition might have on the experiment and its chances of success. Calpac and Libby not only set the price pace, but—more importantly—they exert wide influence in the raw-material markets.

Their practice is to operate on long-term contracts with a group of large growers—at low prices. The independents generally pay higher prices, but sometimes aren't able to meet their obligations. Hence, many growers prefer to sign up, on a long-time basis at low prices, with Calpac and Libby. However, because over-supply of fruits and vegetables is the rule rather than the exception, a plentiful supply is usually assured the independents.

#### A Minority's Power

Many small canneries in California are financed by the big can manufacturers. Gossip in the trade has it that American Can traditionally plays along with Calpac and Libby (although it supplies U. S. Products Co. in the current grading experiment), while Continental Can (which is supplying Schuckl) and Pacific Can handle more of the independents. If Continental and Pacific were to support the grade-labeling idea, there would be more than enough canneries using the grades to force their industrywide adoption; trade analysts estimate 25% of the canneries could force the plan on the rest.

Big canners find the prospect unappealing not only because they fear government grading would undermine advertised trade marks but because a portion of the goods sold under their labels is packed by small canners who do not market their own wares and who might experience difficulty meeting the government inspection standards.

#### Ward Men Locate

THOSE TOP-FLIGHT Montgomery Ward officials who resigned recently (BW—May 4/40, p. 36) are finding new berths. For example, George Vaught, former Ward treasurer, has become treasurer of the B. F. Goodrich Co. J. A. Donaldson, Ward's comptroller, will hold the same post at Butler Bros., while John Boyle, formerly in Ward's real-estate department, will head the real estate division of W. T. Grant & Co.

## Radio Music Battle Near Showdown

Broadcast Music, Inc., looks like more than a bluff as Ascap awaits signing of new contracts. Decision of advertisers may determine outcome.

LAST SEPTEMBER, when broadcasters decided to set up a music source of their own as a rival to the American Society of Composers, Authors, and Publishers, which controls copyrights on virtually all the tunes radio uses, trade tipsters discounted the move as a bluff. Theory

was that the broadcasters were merely fashioning a bargaining weapon that would be discarded after new contracts for the performing rights to Ascap's music had been negotiated to replace the agreements that expire with this year.

The smart boys have continued to hold

## "JOHN, I'M GOING TO LIVE AT THE Drug Store!"



1 "Suppose you had to elave in this Turkish bath of a kitchen! I'm going to live at the drug store. Why? Come and see!"



2 "That's what I mean, John. They've got a breeze, to hold customers. Just what our house needs... to hold a wife!"



3 "Yep, want a fan for the living room, one for the kitchen. Best you've got, too—R & M, like that big one at the drug store."



4 "John, this fan is simply perfect. And the kitchen's like a different world. Don't worry, dear—I'm not going to move!"

WHY suffer? There's no heat problem where there's a breeze... and R & M fans will see to that. Fans of every type—attic fans or portable in-the-window home coolers to refresh the whole house or apartment; kitchen fans; handsome aristocrats for living rooms... For stores and large offices, mighty R & M Air Circulators or exhaust fans deliver thousands of cubic feet of breeze per minute. These good fans last for years, pay for themselves over and over. See your dealer. For circulars on exhaust fans, attic fans, or home coolers, write Robbins & Myers, Inc., Springfield, Ohio—also makers of Electric Motors, Hoists, Cranes, and Moyno Pumps.



R & M 10-inch De Luxe Oscillating Fan, \$14.95. Other Types, \$3.65 Up.

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that view, despite the fact that, if the broadcasters were just letting on, they've done a good job of it. Offices for Broadcast Music, Inc.—the name of the industry's child—have been set up in New York. Around 300 of the nation's 750 radio stations have been lined up as stockholders, guaranteeing a kitty of close to \$1,500,000. First of April, B.M. started licensing users of its music, and is now turning out about 30 songs a month under its own print. Also, B.M. has acquired two music catalogs of respectable size—the M. M. Cole Publishing Co. and the Hinds, Hayden & Eldridge collection.

Meantime, Ascaph has sat very tight

and seemingly unperturbed. But now the game of poker is getting to the show-down stage. Within the last month, Ascaph has mailed its new contracts—to start Jan. 1, 1941—to the broadcasters. As predicted (*BW—Mar 9 '40, p. 30*), the new license agreements seem designed to split the industry, to array big stations against small ones. For the new contract, instead of requiring a blanket 5% payment of gross income from all stations, sets up four payment groups. Stations grossing less than \$50,000 a year are asked to pay 3%; stations grossing between \$50,000 and \$150,000 will pay 4%; those grossing more than \$150,000

will pay the same 5% as now; but the most radical change of all is that networks are asked to pay 7½%. Under the present contracts, the networks, as such, pay nothing, for all payments are from the individual stations.

Trade observers estimate that, if radio continues its growth, Ascaph's collections under the proposed contract would be around \$8,000,000 in 1941, as compared to the \$4,300,000 the society took in from radio in 1939. And for the first time, advertisers are beginning to prick up their ears. They're beginning to realize that radio won't shoulder an extra \$4,000,000 burden without trying to pass some of the load along in higher rates.

### Society May Have Blundered

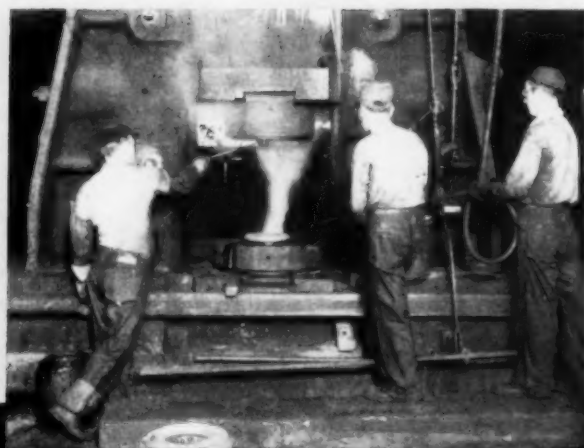
Some observers are now saying that Ascaph has made a major strategical error in pushing the battle to the point where advertisers are likely to take an increasing hand in the outcome. Everybody knows that the society set its demands high so that it would have something to give away in negotiating. But if the networks can excite advertisers sufficiently, there may be precious little negotiating. It's been thought that possibly the stations could get along without Ascaph music on their sustaining programs, but that the needs of such all-musical commercial programs as Lucky Strike's Hit Parade would force capitulation. But if advertisers will play along, the networks may have a chance to prove their point that radio can create its own hit tunes.

At any rate, the smart boys aren't quite as sure now as they were that the broadcasters are bluffing. So far Ascaph hasn't been able to announce the signing of contracts by stations that would indicate a split in the industry. And this week there were persistent reports of a "break" in the other direction—that Broadcast Music is planning the purchase of three music publishers (Robbins Music Corp., Miller Music, and Leo Feist, Inc.) whose combined catalog last year accounted for about one-seventh of Ascaph's performance credits.

### Loath to Make Commitment

There are, however, stumbling blocks to the proposed purchase. The price is said to be \$4,500,000, and, to take care of that, members of Broadcast Music would have to extend their commitments to three years. A good share of the large stations are ready to do this, and NBC and CBS are reported ready to contribute \$1,500,000 toward the purchase. However, key stations of the Mutual Broadcasting System are said to be reluctant about making the three-year commitment to membership in B.M.

Another question is whether the music firms in question are free to make a deal with B.M. Their songwriters are all members, under contract, of Ascaph—and the society can be relied upon to do its legal best to block the sale.



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## MONEY AND THE MARKETS

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### Building Up Stockpiles

**Corporations formed under auspices of RFC will acquire huge quantities of rubber and tin.**

Congress has given the full-speed signal to many phases of national defense by approving large appropriations, but it has been niggardly with the stockpiles of strategic raw materials. Yet there are more ways than one to skin a Congressman, and the Reconstruction Finance Corp. this week set out to demonstrate one such method.

The RFC will put up \$7,500,000 in spot cash and will earmark \$165,000,000 additional. This sets the ball rolling, and before the transaction is completed the United States is due to buy \$84,000,000 worth of tin and more than \$50,000,000 worth of rubber. Also contemplated is the purchase of an undetermined amount of manganese.

Here's the way it works. A rubber reserve company is set up with the RFC contributing one-half its capital and the rubber manufacturers the other half. The leading agency agrees to let this company borrow up to \$65,000,000. In the metal reserve company, the RFC will own all of the \$5,000,000 of capital stock and will provide an open line of credit running to \$100,000,000.

Most important details of the transactions were ironed out before formation of the new corporations was announced. The international committee controlling shipments of rubber signed an agreement to deliver 150,000 tons; the tin committee agreed to supply 75,000 tons. The price to be paid the rubber cartel ranges between 18¢ and 20¢ a lb.; that for the tin cartel amounts to 50¢ a lb. In each case the international committee signing the contract stipulates that the price shall be for the commodity laid down in the United States port specified by the purchaser. It is believed that about six months will elapse before the rubber deliveries can be completed and about a year before shipment of all the tin.

### Prop under Prices

The tin transaction makes available a large enough reserve of the metal to handle normal domestic requirements for about a year, and the rubber purchase involves about three-months' supply. However, results which are less obvious also will be achieved. The tin and rubber committees get a pretty nice prop under prices, and the contract is an excellent means of moving potential production surpluses. And not to be sneezed at is

the one hundred fifty million good American dollars for the British and Dutch governments whose colonies will supply most of the tin and rubber.

Exact details of the transaction, according to the belief in market circles, probably aren't clear even to the principals. When the United States swapped cotton for British rubber (we now have a reserve of 85,000 tons of rubber from that deal) it was stipulated that ships of each country would split the transportation about 50-50. In the present arrangement, it is much more likely that the sellers will use whatever ships are available—and U. S. flagships should do all right on that basis.

Similarly, there is some question how much open-market buying domestic rubber manufacturers will do in the future. They have an interest in seeing that the rubber in the reserve company's warehouses doesn't deteriorate, because they own half of the company's stock. So it is part of the plan to turn the reserve stock over from time to time by selling to the trade and restocking in the open market. Thus the stockpile will become a major factor in supply and price.

### War—and No Proxies

**Holding meeting or putting out report is no cinch for firms with European stockholders.**

COMPANIES SEEKING proxies from European stockholders are well advised to get proxy letters off well in advance of stockholders' meetings. Otherwise, they are likely to find themselves confronted with difficulties such as those that face the Equitable Office Building Corp. The building company has all its assets in this country; consequently it never expected to have to deal with problems like those which, naturally enough, have been haunting officials of I. T. & T. the past month as they struggled to prepare the corporation's financial statement for the first quarter of 1940.

Equitable Office Building Corp. wants to amend the certificate of incorporation to permit write-downs of certain fixed and intangible assets, reduction of stated capital, and shifts of surplus. These changes, for tax purposes, are vital to the company which, just now, is struggling to earn the bond interest. To carry out the plan requires a two-thirds vote of stockholders. About 200,000 of the 862,000 shares of the stock are owned in Great Britain and are more or less controlled by the English government. Not a proxy was received from this group

for the annual meeting, which had to be postponed.

Between the Bankers' Club on the 38th floor and stores of Swiss gold in basement vaults, Equitable's 85% occupied building at 120 Broadway in New York's financial district boasts a well-diversified group of tenants, including National Distillers Products Corp., the Securities and Exchange Commission (Wall Street headquarters), and the law firm with which Franklin Delano Roosevelt used to be connected. Rentals from these tenants, along with a liberal sprinkling of doctors, lawyers, and dentists, have enabled the company as a rule to cover bond interest and to earn a bit for the stockholders. But business has drifted uptown. Rentals have been cut but taxes have not. The company has a partial solution in the write-down plan, but proxies are needed from the English holders.

### One Empire Affects Another

International Telephone & Telegraph Corp. comptrollers found preparation of the quarterly report, now going out to stockholders, like writing on the sand. The first draft, omitting German, Spanish, and Mexican subsidiaries, had to be revised when Nazi forces shadowed Scandinavia. The altered figures in turn were cut-dated when Hitler acquired Belgium and the Netherlands. A new statement was prepared—then France surrendered.

By that time, the comptrollers decided to stop going around in circles, to cast out results of all European subsidiaries and the large subsidiary International Standard Electric (which owns manufacturing plants in Europe, Australia, and Shanghai), and to publish the resultant report. Thus, income from more than half the earning assets was excluded.

Quite a bit of cash, recently arrived from the system's second largest operating company, in Rumania, went out July 1 to debenture holders as interest but did not appear in the operating statement. European subsidiaries are finding it harder to send cash or even reports to the parent, much less convert the figures into equivalent dollar exchange.

In complicating market and supply problems the war has naturally introduced complexities into the corporate life of almost every American business, but few have been bedeviled by more complications than those confronting the United Dyewood Corp., which has a source of raw materials in Haiti and Jamaica, manufacturing plants in Italy, Corsica, and Scotland, and markets in the United States.

### More on "Integration"

THE SECURITIES AND EXCHANGE COMMISSION several weeks ago gave a tentative idea of what it considered integration under Section 11 of the Public Utility Act of 1935. It gave Cities Service Power



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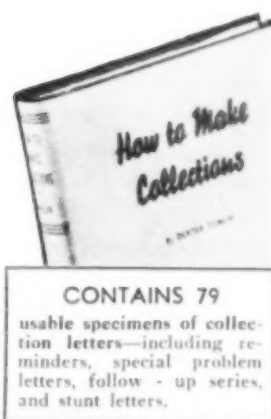
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& Light a choice between retaining one or the other of two groups of operating properties.

This policy bore out the industry's gravest fears (*BW—Jun 15 '39, p. 17*). It meant to holding company executives that they would have to chop their systems into small bits or else fight the thing through in the courts. This was even

more sharply emphasized in a list of seven tentative plans for Middle West Corp. This, the backbone of the old Insull setup, might retain any one of four groupings which would cut to ribbons the southwestern properties; it could hold the main group in southern Wisconsin; it could concentrate in southern Illinois and central Kentucky; or it could have

one system embracing most of the Kentucky units.

To accept the idea of holding only one of these seven possible systems, the Middle West Corp. would be obliged to forsake the other six. Not only that, it would give up some 45 other properties which were not included in any of these suggested groupings.

## Banks See Profits in Expanding Loans

BANK NEWS THIS WEEK filled many columns in the financial pages of the daily papers with their mid-year statements of condition. In the aggregate, there wasn't any conspicuous trend in their earnings. Yet there is a change coming unless the curve of business goes into a tailspin.

Here's the tipoff: Commercial loans of the weekly reporting Federal Reserve member banks in 101 cities are now almost exactly \$4,400,000,000, a level that was not reached in the 1939 boom until the middle of December. After the December high, loans fell off moderately and then came back to top \$4,400,000,000 only briefly in April and May. Aside from those two peaks, commercial loans haven't been as high as this since the end of the third week in 1938.

Of course, loans at \$4,400,000,000 aren't high enough to shout about. The important thing is that the present level has been attained *before* the customary autumn demand for accommodation has begun to make itself felt. The figure has been reached, in fact at the very time when industry ordinarily tries to catch a hot-weather breather.

Barring the cessation of hostilities in

Europe, this fall's expansion in loan volume might very well eclipse that of 1937. Moreover, this year's total should be more cheering than that in 1937, because in the earlier year business turned bad long before loans began to decline.

In short, you can begin to stock up on deferred payment, but you can't long carry inventory without credit. If you have raw, semi-finished, and finished inventory on the shelves in excess of demand you will shortly have to borrow to pay for it. That's what accounted for much of the rise in loans to the mid-October peak of \$4,871,000,000 in 1937. In fact, *BUSINESS WEEK's* Index of Business Activity dropped from 123½ to around 107 during the period when loans were rising more than half a billion dollars.

### Governments Portfolio Grows

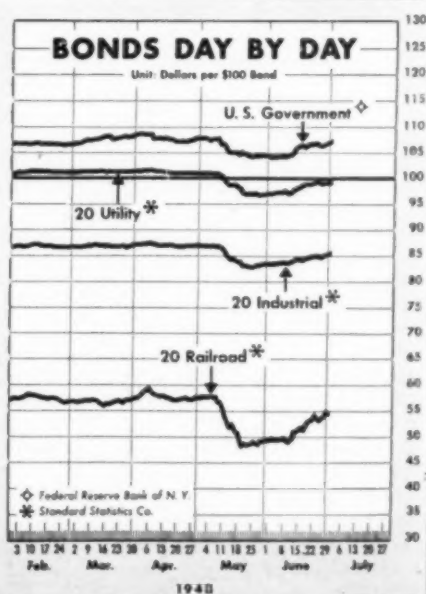
Total loans and investments of the banks have expanded almost continuously for a little over two years and member banks in 101 cities now report a total of just about \$23,600,000,000. (The all-time peak, just above that level, was chalked up the middle of June.) However, the bulk of the growth for years has been in the gov-

ernment bond portfolio, and yields on government bonds, as everyone knows, don't fatten bank earnings much.

Real demand for commercial loans—something which hasn't been felt for a decade—would exert a dual influence. It would swell the amount of this, the one type of business the banker likes best. Of even more importance, it would gradually tend to stiffen interest rates. As soon as money rates began to go up, the return on the whole loan and investment account would begin to rise. That would have a salutary effect on earnings.

Brokers' loans have dropped to another new low at \$862,000,000. (The high for this series, which has been compiled only for four years, was \$2,161,000,000 at the end of June, 1937.) Any expansion in stock market activity would benefit earnings from this source. Moreover, if industry happened to be borrowing at the time, the stock market obviously would have to pay more for its credit.

Right at the moment the markets don't give much evidence of speculation, investment, or of anything else for that matter. The holiday week, of course, contributed to the already conspicuous inactivity.





## BUSINESS ABROAD

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### Stalin Collects Again on Nazi I.O.U.

**Territory taken was in the Moscow bargain, but it was also part of the "Mein Kampf" Germany. Will the Führer permanently abide by the deal?**

LAST WEEK, when Soviet troops thrust their way across the Rumanian border and the armed forces of Hungary and Bulgaria stood waiting for the kill, the first impression of observers might have been that Germany was losing out in the Balkans. Actually, the march of events doesn't necessarily invalidate the "Drang nach Osten" pattern detailed by Hitler in "Mein Kampf." If there was any doubt about that, it was removed this week by the German intervention in the mêlée along the Danube.

Hitler's dream for Greater Germany called for the building of a great economic bloc extending from the Arctic to the Black Sea (BW—May 18 '40, p. 17). Significantly, he included Finland and the three little Baltic states and a generous slice of the Ukraine in this bloc, but not France and Britain. Theory of the Nazi economic planners who were Hitler's advisers at that time was that, in the new economic order which they visualized, populous and not very productive northern Europe should draw its food supplies mainly from the continent's two great breadbaskets—the Danube valley and the Ukraine.

Nazi plans had to be tossed overboard

a year ago when Britain and France refused to make separate deals with Berlin, and Hitler's war strategists realized that they could not afford to risk a war on both the east and the west, which would be almost inevitable if they were to go after such distant bits of territory as Finland and Belgium at the same time. This is what caused Hitler to make his first great change in the program laid down in "Mein Kampf"—the deal with Stalin.

#### Kremlin Extends Its Sway

In making his deal with this old enemy, Hitler was forced to yield important concessions to Moscow. First, he agreed to recall all Germans from the three little Baltic states and allow the Bolsheviks a free hand in this region—a region which they considered of tremendous strategic value because it controlled the approach to Leningrad and a manufacturing area in the Soviet Union from which Russia still draws nearly 25% of its industrial output.

Second was his acquiescence in allowing Moscow to regain its pre-war dominant position in Finland.

This week's Soviet move into the

### The Battle of Britain

WHEN GERMAN BOMBERS this week swooped low over teeming Bristol harbor in the first mass attack on a British commercial port (see cover map), Englishmen decided that bargaining for a "peace with honor," which they knew had been going on in various neutral capitals, apparently had reached an impasse and the Battle of Britain was getting under way.

Threatened with a concerted Nazi drive to "reverse the blockade" and starve Britain by constant blasting of the six great ports through which the country is fed and industries receive the bulk of their raw supplies, London authorities rushed last-minute preparations to meet the attack.

Along the entire south and east coasts, special defense areas were blocked out within which no aliens were allowed.

From Dover to Dunnet Head, civilians, hastily trained to handle a rifle, stood guard day and night prepared to repulse any surprise attack from a Nazi parachute army.

Nazi submarines were active again, but British authorities insist that shipping losses are inconsequential, particularly in view of the huge Norwegian, Dutch, and Danish tonnage to which they have fallen heir. But Britain knows it must keep its ports open and German bombers away from the regions where vital industries are located if Britain is to "hold out" successfully.

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former Russian province of Bessarabia—which was given to Rumania in 1920—reveals one more of the concessions which the shrewd negotiators in the Kremlin extracted from a Germany which had to bargain in the east if it was to win in the west. Bukovina has probably been thrown in, much as the eastern half of Poland was handed to the Russian government to make the whole proposition too tempting for them to pass up.

Some Nazi authorities still insist that Hitler has abandoned only temporarily his dream of creating an independent Ukrainian state which would be subservient to Germany. Others believe that his overwhelming success in the west,

with its promise of a vast new colonial empire in Africa and freedom to acquire all kinds of raw materials from Asia and South America, has permanently altered his plans.

### The New Nazi Europe

This latter group is the one which insists that Nazi plans now call for the creation of a kind of United States of Europe—under the aegis of Berlin, of course. In this new setup, the Scandinavian countries would form one political and cultural unit; Germany, Holland, Belgium, France, and Switzerland another; Italy, Spain, part of Yugoslavia, and Greece a third zone; Poland and Czechoslovakia a fourth; and Hungary,

Rumania, Bulgaria, and the balance of Yugoslavia a fifth.

To this, they believe, Hitler might still seek to add an independent Ukraine, but they doubt if he would fight to secure it. His overwhelming power might make Stalin willing to cooperate, particularly if he could save face by maintaining nominal political control over the region.

These are the speculations of the old timers in Europe who are once more watching the Balkan pot boil. With two neighboring giants looking on so jealously, they doubt if the situation will get out of control—particularly since, at this moment, neither Berlin nor Moscow wants to be involved in a struggle in southeastern Europe.

## German Victories Force New Trade Lineup

EVEN BEFORE a peace treaty is in sight, forehanded executives realize that we are at the beginning of a new order in world business.

Old political empires are giving way to vast new trading blocs. Germany already dominates Continental Europe, claims a consumer public of 300,000,000 (compared with nearly 500,000,000 in the British Empire, more than 190,000,000 in the Soviet Union, about 400,000,000 in the Japan bloc, and 225,000,000 in the Western Hemisphere).

If Berlin gets its hands on the gold reserves of Holland, Belgium, France, and Switzerland, it may show unexpected interest in maintaining the gold standard in some modified form. If it can coordinate and direct the merchant shipping of all its new partners, its fleet will surpass the giant British merchant marine. It will have more

electric power at its command than the United States, will have a textile empire second only to the British, and will be king pin in a market for our goods which is only a little smaller than the huge British Empire.

This lineup of the new trading blocs is only tentative, but it is deliberately presented now to help business leaders orient their thinking along the line of things to come. After the Havana conference at which the 21 American republics will discuss the scheme for a Western Hemisphere trading bloc, and after Hitler and Churchill have settled their score and reckoned the consequences, Japan will probably fit itself rather quickly into the new world order. Then, BUSINESS WEEK will line up the world's trading empires in the shape in which they are finally drawn in the international new deal.

### How the New Trading Blocs Compare

		German bloc	U.S.S.R.	Japan bloc	British Empire*	Canada	United States and Western Hemis. bloc
Size of Market for U. S. Goods¹	\$ Millions	698.9	85.3	312.7	812.1	467.8	19,618
Gold Reserves²		5,796	....	164	3,551	212	19,618
Electric Power Output³	Billion kwh	133.3	39.6	29.2	40.2	27.7	128.7
Textile Industry⁴	Million spindles	39.1	10.4	15.9	46.4	1.2	32.2
Tonnage Merchant Vessels⁵	Million tons	24.6	2.3	5.5	19.1	1.3	13.9
Motor Vehicles Registered	Thousands	5,731	570	236	3,249	1,306	31,332

### What They Produce²—Factory, Farm, and Mine

		German bloc	U.S.S.R.	Japan bloc	British Empire*	Canada	United States and Western Hemis. bloc
Motor Vehicles	Thousands	668	215	14	493	207	4,809
Cement	Million tons³	31.7	6.5	6.3	10.7	1.0	22.9
Pig Iron	" "	35.7	14.5	3.2	12.8	1.0	37.9
Steel	" "	42.4	17.9	6.0	17.2	1.4	51.6
Coal	" "	339.4	122.6	76.0	334.2	11.0	452.5
Crude Petroleum	" "	15.6	27.8	0.4	8.8	0.4	213.3
Copper (refined)	" "	380.0	103.6	94.0	254.7	210.0	1,294.6
Lead (refined)	" "	433.1	55.0	17.6	323.4	181.2	678.0
Bauxite	" "	2,726.2	250.0	....	403.8	....	435.8
Nickel Ore (metal content)	" "	8.0	2.0	....	1.2	102.0	0.3
Tin Ore	" "	50.0	....	13.6	102.2	....	27.5
Chrome Ore	" "	73.3	100.0	16.5	242.9	0.1	66.6
Manganese Ore	" "	154.9	1,200.0	67.5	1,145.7	....	203.3
Potash	" "	2,688.0	235.0	10.0	19.0	....	258.0
Gold	Tons⁴	43.1	160.0	45.0	474.9	128.1	218.9
Wheat	Million tons⁵	40.8	45.9	20.0	19.3	7.7	30.8
Rye	" "	15.9	26.2	....	0.1	0.2	1.4
Sugar	" "	7.2	2.5	1.2	5.7	0.1	9.5
Wood Pulp	" "	9.0	3.4	0.5	0.3	5.0	6.0
Wool	Thousand tons⁶	211.9	126.0	55.0	820.3	8.6	481.8
Cotton	" "	96.0	820.0	746.0	1,739.0	....	4,787.0
Butter	" "	1,409.7	272.2	2.5	429.5	161.1	1,019.1
Margarine	" "	779.5	81.8	2.8	205.6	....	189.9
Coffee	" "	196.2	....	....	81.6	....	2,191.6
Cocoa	" "	101.1	....	....	434.0	....	218.7
Rubber	" "	483.0	....	....	607.0	....	20.0
Jute	" "	0.3	....	1.2	1,570.5	....	....

¹ Value of U. S. imports, 1938.

² Federal Reserve Bulletin, 1940.

³ League of Nations, 1937.

⁴ Cotton Year Book, 1939.

⁵ Lloyd's Register of Shipping.

⁶ Metric tons.

\* Canada is not included in the Empire totals, but is listed in an adjacent column, because its trade ties with the U.S. are almost equally close.

## Canadian Business Feels the Taxes

**New 10% levy on imports retards trade with United States, but defense purchases will boost volume. Special excises hit luxury lines.**

OTTAWA (Business Week Bureau)—American business began to feel the effects of Canada's new war taxes this week. Newsstands were selling the standard United States 5¢ weeklies for 10¢, 35¢ magazines for 50¢—prices which reflect the dealers' desire to quote a round figure ample to cover the new 10% wartime tax on all imports as well as the 11% currency depreciation.

At the border, Canadians coming from the States, where they had already found that they could get only 89¢ value out of each of their Canadian dollars, were forced to pay a duty of another 10% on all their purchases. Until the new wartime emergency tariff went into effect they had been able to bring home \$100 worth of goods from Detroit and Buffalo department stores without having to pay any duty, and they had carried back across the border \$20,000,000 of goods last year.

Although the 10% levy on all imports will exercise an obvious brake on trade, Ottawa authorities insist that the total volume of business will soar because necessary purchases of war materials will more than make up for the sharp and deliberate curtailment of consumer, especially luxury, buying. Shipments coming in from the United States this year amounted to \$188,000,000, compared with a bare \$120,000,000 in the same months a year ago. Though this covers the pre-tax period, Ottawa points to enormous new war orders which have been sent down to the British Buying Commission headquarters in New York during the last five or six weeks as evidence that Canada is really only shifting its demands to the field of heavy industry.

### Salesmen Feel War's Impact

Commodities in the luxury classification—automobiles, cameras, radios, phonographs, and smokers' supplies—have been saddled with special new excises. Automobile and radio salesmen by the hundreds are looking for new jobs as a result of the prohibitive new levies. Men in the factories who build the cars or the radios are finding their companies solidly booked with government war orders. Taxes were levied with this in mind, and the scheme is already getting results.

As a result of the 10% import tax as well as the special excise, automobile imports are expected to dry up completely for the duration of the war. Almost

all of Canada's low-priced cars are made at home and these will still be produced. Imported cars were almost entirely in the high-price range. This duty is now 40% on cars costing between \$900 and \$1,200 and 80% on cars costing more than \$1,200. Imports of completely assembled cars normally amount to about \$12,000,000 a year, and were filled mainly by General Motors, Chrysler, Packard, and some of the specialized divisions of Ford. Imports of automobile parts amounted to \$25,000,000, and because the bulk of these imports were

for cars in the higher price range, these will also dwindle to a trickle.

Most of the popular makes of radio receiving sets are manufactured in Canada; imports ordinarily amount to only about \$250,000. But Canadian visitors to the United States have been bringing back large numbers of the low-priced sets under the tourists' exemption and this trade will be hit under the double impost on imports and luxuries.

While commodities singled out for special taxes are few in number, luxury lines in general and some of these in particular will be still more heavily affected by the stiff increases in the income taxes, especially in the lower and medium brackets, and by the additional special war tax on salaries above \$600. When a married man without children and earning \$3,000 a year must pay an income tax of \$195 compared with only \$36 a year ago, he is bound to curtail his spending. Canada's retailers know they are in for a leaner year than last.



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## Soviet Pact to Expire

Fate of trade agreement with U. S. will be influenced by strength of German bloc.

SECRETARY OF STATE Cordell Hull and Constantine Oumansky, the Soviet ambassador, will soon be discussing the fate of the business Russia does in the United States—a business that amounted to \$80,000,000 in 1939. The current one-year commercial agreement between the two nations expires Aug. 6. It covered a Russian export trade that was in the same volume class last year with America's Italian or Australian exports.

Whether the diplomats continue last year's agreement or write a new ticket depends primarily on the bargaining power in Moscow of the new German bloc. That block is certain to seek whatever share of the business could be duplicated by German industry.

Also, a stiffened political attitude in the United States—expressed in the moral embargo on war-material shipments to Russia—and a developing American supply problem may affect adversely a new agreement or make it a virtual flop.

## Soviet Buying Falls Off

In the five months of 1940, Soviet purchases in the United States slid downward. Commitments made by Amtorg Trading Corp., the solitary Russian buying agency in America, dropped from \$10,000,000 per month in the last quarter of 1939 to about \$6,000,000 a month in the first three months of 1940. In April, a sluggish \$1,925,000 worth of orders was placed and a recovery only to the \$2,500,000 level was made in May.

Heavy Allied orders and domestic defense preparations have taken priority in sections of the machine tool industry that produce turret lathes and other machines of key importance in factory production. The Russians are reluctant to place orders which may not be filled for months. Besides, there is a scarcity of freighters for the long trek from the West Coast to Vladivostok. There are neither enough Soviet ships nor neutral vessels available at present to warrant the continued purchase of copper, for in-

stance—one item that kept Russian orders at a high point last fall and winter.

Every Russian-American commercial pact since the first one was signed in 1935 has contained an understanding that the Soviet government would buy at least a specified minimum amount of goods in the United States. The minimum for each of the first two agreements was \$30,000,000. It was raised to \$40,000,000 in 1937—and has been kept at that level ever since. The Russians have always exceeded the minimum.

## BRIEFED FROM THE CABLES

### Canada Buys Used Planes

THE CANADIAN SECTION of the British Purchasing Mission in the United States is buying second-hand Lockheed-Twelve planes. Most of the hundred or so which have been built since the model was introduced three years ago have been bought by wealthy amateur fliers or by engineering or mining companies (for quick transportation of officials and reconnaissance work). The Canadians, not anxious to wait for delivery of new planes, want the model for basic training of military pilots who will fly Hudson bombers, 2-engined, middle-weight planes being built by Lockheed and somewhat similar to the Twelve. The Twelve is a two-engined, six-passenger ship with a 224 mph. top speed and a cruising range of 1,500 miles. It costs about \$50,000.

### Argentina Maps Purchases

BUENOS AIRES—Plans are progressing in the Argentine for prompt utilization of the \$20,000,000 loan which has been granted by the United States through the Export-Import Bank "to lessen Argentina's dependence on European sources of supply and to make the nation more self-sufficient."

First purchases in the United States will be oil refinery equipment which will help the country end its dependence on British coal. Additional pipe lines will open up growing new oil fields near the Chilean border. Next will come textile mills, to reduce dependence on Europe, and to absorb the country's cotton crop and perhaps a part of the Brazilian surplus. Finally, railroad equipment will be bought in the United States. C. Alonzo Frigoyen, Argentine financial attaché in the United States, is due to return from Buenos Aires by August to supervise the buying program.

### Refugee Children Awaited

CANADA IS PREPARING for mass arrivals of refugee children from England this summer. The first 20,000 will soon reach the Dominion. They are to be housed in auto camps and hotels until they can be placed in private homes. Ottawa hopes that it will not be necessary to appeal for a charity fund to take care of them, even though families with incomes of less than \$3,000 per year will not be permitted to take them, because Canadian taxes have drastically reduced actual incomes.



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## THE TRADING POST

### "Magnificent Delusion"

FRED G. CLARK has written a book that Herbert Hoover has called "a critical portrait of democracy that should have a vital meaning to every American regardless of class, party, race, or creed." I subscribe to that appraisal.

It is not a big book; it does its job in eight terse chapters. There are only 152 pages of it; you can read it in an hour—but unless I miss my guess, you'll take a couple of hours and really soak it up.

Neither is it a heavy book. It's not bookish. It is dedicated to "the Average American by an Average American," and reads as you talk—as thousands of average Americans are talking every day, in Pullman cars and hotel rooms, in their offices and their homes. It answers a lot of the questions that are left unanswered by all this talk, questions that are hammering at the minds of the thoughtful. Its plain, everyday treatment will help us all to see what those questions really are and to think them through.

Its title is "Magnificent Delusion"—better make a note of it.

Mr. Clark writes about the chief American problems: how they came about; what has made them acute; how they have been mastered in some quarters; how they are made worse by some of our efforts to solve them; what are the fundamentals on which we must tackle them. He offers no panaceas. He believes the answers can be found only in the hearts and minds of the people—once they understand what it's all about.

For example: The scandals of local political government and what happened in Louisiana, Cincinnati, St. Louis County, Kansas City. The abandonment of thrift as an American virtue, and what that has done to our attitude toward debts and deficits; and how one of the states and one of the cities have managed to operate without a public debt and reduce taxes at the same time. Our newly discovered social conscience and how we have fallen for the quaint notion that by parking it with the government we can do a lot more for more people without cost to us as individuals. What Mr. Clark calls the "combination of a Utopia-dangling political group, plus a Utopia-demanding voting group." With respect to youth, he offers some observations that will appeal to many a harassed parent who is wondering whether he has done enough to help his youngsters to a good start—or too much.

But enough of such sampling. The net of it all is that Mr. Clark believes the only way to solve our problems is to make the people think about them; and, he says, "The only way I know of inducing people to think about anything is to

show them that their welfare and happiness are directly involved."

And that's what his book is intended to do.

### Old West and New Boots

BACK IN JANUARY, 1939, when they were running the buffalo off the nickel to make way for Thomas Jefferson, I had something to say about it on this page. In that connection I quoted Charlie Russell, the great cowboy painter, and took occasion to recognize his part in immortalizing the glories of the Old West. And I wondered whether some of the business men, whose businesses are dependent on the glamour of our western country, really know how much they owe to Charlie and others like him.

It appears that one does, sure enough. For I have a letter from Victor LeMay, of the Evans & LeMay Advertising Agency in Fort Worth, transmitting a copy of the 1940-41 catalog he has prepared for H. J. Justin & Sons of Fort Worth, makers of cowboy boots since 1879. And the catalog is dedicated to Charlie Russell.

"It is with the clearest recognition of our own debt to the West," say the Justin Boys, "that we respectfully dedicate our catalog to the memory of one of her most beloved sons, Charles M. Russell."

It's a swell book. Pictures of Russell in his studio at Great Falls, a facsimile of one of his characteristic hand-written and illustrated letters to the Justins, a tribute from his pal Will Rogers, vignettes of several of his famous paintings, and spread over front and back covers, a full color reproduction of his "Jerked Down"—that lively mixup in which the ornery cow-critter turns the tables on the cow-hand.

And those Justin boots! They'd gladden the heart of any waddy. You can smell the Rodeo just looking at 'em!

H. N. Fisch, sales manager for the company, says it was the item on this page that suggested his dedicating this year's catalog to Charlie Russell. That is good to hear. I hoped someone would find a practical way to acknowledge the debt we all owe to a great son of the Old West.

### Just Around the Corner

NOT LONG AGO, in Kansas City, I noticed in the K.C. *Journal's* "Parade of Pictures" a shot of three Chicago women who had just hopped over by TWA plane to visit a Kansas City friend. Nothing startling in that perhaps—but that's just the point. It's another reminder that in this spacious land of ours air travel has developed a new notion of what constitutes a neighborly call. **W.T.C.**

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# BUSINESS WEEK

*With Which Is Combined The Magazine of Business*

July 6, 1940

## The Chance of a Lifetime

**T**IME is playing into the hands of the next President of the United States. Not only will he have the power to make historic decisions governing this country's dealings with European nations, but also he will have an opportunity to foster a tremendous expansion in domestic business. For the latter he may be long and well remembered.

Though it is a great oversimplification, it is also a fact that we tend to think most kindly of those Presidents whose residence in the White House coincided with what we are wont to call "good business." Just as we associate Calvin Coolidge with the prosperity of the late 20's, so also may we in years to come think of the man chosen on Nov. 5 as the father of a broad recovery in the 40's. But this chance to promote a remembered business expansion must be taken; it will not just happen.

At the moment, the country is poised for a great effort—national defense. It requires harnessing vast industrial resources running into the billions. It means re-employment of millions of men and women; it means re-investment of billions of dollars which have for years lain fallow in banks. In short, national defense can well be the dynamic force which will put idle men, idle machines, and idle money back to work.

**B**UT one of the urgent requirements for an energetic and efficient defense program is new investment. Our corporations have been adjusted to peacetime operations—producing automobiles, not armored cars; printing presses, not anti-aircraft recoil mechanisms. Changing over costs money; building new plants is expensive. Corporations cannot be asked, willy nilly, to sacrifice either their stockholders' money or their competitive position (which is really the same thing) to produce fighting equipment. Some arrangement must be made to recompense them for their shift from normal production to war production. And to date, the government has made no positive effort to encourage corporations to go into what, in effect, is a short-term venture in the munitions business.

Corporations have sought rulings from the Treasury on permission to write off new plant and equipment at special rates to take into account the short-term consequences of the government's munitions program; as yet, however, the Treasury has not brought forth a ruling to make corporation executives feel free to go ahead with any large-scale investment plans. By ratifying a plan whereby corporations can charge off rapid depreciation or obsolescence of plant and equipment used for munitions, the Presi-

dent can act not only to stimulate investment but also to stimulate arms output.

Setting up special depreciation allowances for tax returns, of course, is hardly enough. By itself, a tax allowance is insufficient reason for going ahead with construction of a plant to make munitions—though oftentimes people talk about such special exemptions or preferences as if they were the main thing. Actually, corporations have to be paid for their outlays on capital goods for arms-making. And the only way they can get paid is by charging this rapid depreciation or obsolescence into the cost of the goods they produce for the government. Here again, the President can work wonders for new investment in plant and equipment—by making it possible for the Army and Navy to include in the price they pay for their needs a prorated share of the cost of new construction.

**U**NDER such auspices, it will be safe to wager that business and government will get along well together in carrying out the defense program. Right now, with so much concern on the part of government that business men will make too large profits and on the part of business men that the government will take over their businesses, apprehension gets in the way of understanding and efficiency. But once the government makes clear that corporations will get paid for what they produce, then the stage will be set for a concerted speedy effort on national defense.

Ever since 1929, except for brief spurts, as in 1937, the heavy industries have been a drag on our economy. New investment in plant and equipment has lagged; as a direct result our unemployment problem is today unsolved. But now, with a huge munitions program getting under way and with many industries already jammed to capacity, there is an obvious need for new plants and new machines. Defense has opened for the country a new investment outlet. It's the chance of a lifetime for a President.

Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd St., New York City. Tel. MEdallion 3-0700. Night Tel. MEdallion 3-0731. Price 20¢. Subscription: \$5.00 a year, U. S. A., possessions, and Canada. Other foreign, \$7.50. Cable code McGrawhill.

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